



Financial Reporting Standards Committee
Meeting summary – February 2007

The Institute's Financial Reporting Standards Committee (Committee) met on 14 February 2007.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Clement Chan (Deputy Chairman), Raphael Ding (Deputy Chairman), Peter Au-Yeung, Colin Chau, Ian Farrar, James Fawls, Wilson Fung, Paul Hebditch, Ronald Kung, Susanna Lau, Li Kwok Tso, Catherine Morley (represented by Wincey Lam), Tommy Tam, Stephen Taylor, Eymon Tsang and Stephanie Zurmuhlen.

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

The Committee discussed the following items:

1. Proposed dates of the meetings in year 2007
2. Terms of Reference and Work Programme for 2007
3. Revised draft Policy on providing Interpretations or Rulings on financial reporting issues
4. Extension of comment deadline on IASB Discussion Paper *Fair Value Measurements*
5. Comparison between HKFRSs and IFRSs
6. Report on the IASB/FASB round-table discussions on measurement and the HKFRS/IFRS Forum
7. National Standard Setters Meeting and Meeting with IASB Conceptual Framework project team members
8. IASB Exposure Draft of Proposed Amendments to IFRS 1 *First-time Adoption of IFRSs – Cost of an Investment in a Subsidiary*
9. Compliance with HKFRSs vs compliance with IFRSs

1. Proposed dates of the meetings in year 2007

The Committee agreed to meet on the following dates in 2007:

14 February
14 March
11 April
9 May
13 June
11 July
12 September
10 October
14 November
12 December

2. Terms of Reference and Work Programme for 2007

The Committee noted the Terms of Reference of the Committee.

The Committee considered the proposed work programme for 2007 and agreed to add the following to its work programme:

- Update comparison list between HKFRSs and IFRSs on a half-yearly basis and review areas of differences.
- Review the consultation paper on the proposed amendments to the Companies

Ordinance on the extension of the application of Section 141D.

- IFRS 1 compliance project (see paragraph 9 below).

The Committee also agreed on a number of revisions to the work programme. The secretariat was requested to revise the work programme accordingly for consideration by the Committee at its next meeting.

3. Revised draft Policy on providing Interpretations or Rulings on financial reporting issues

The Committee noted that the draft policy has been revised after incorporating its comments made at the last meeting.

The Committee generally agreed that an entity could seek a second opinion from another member practice or leave it to the courts to consider whether there is a case of improper acts or breaches of professional standards by a member. It was also considered important to make clear to the public that it is the responsibility of the preparers of financial statements to consider how accounting principles should be applied.

Mr. Raphael Ding dissented from the draft policy of non-provision of rulings by both the Council and the secretariat when there are requests for or when there is disagreement in the interpretation of financial reporting standards. He considered that as a standard setting and professional body, the Institute has the authority and responsibility to provide rulings.

The Committee noted Mr. Ding's dissenting view and approved the draft policy for submission to the Standard-setting Oversight Board for approval.

4. Extension of comment deadline on IASB Discussion Paper *Fair Value Measurements*

The Committee noted that the IASB had decided at its January 2007 meeting to extend the comment period to 4 May 2007.

The Committee approved the extension of the comment period of the Hong Kong Invitation to Comment to 10 April 2007. The extension was subsequently announced on the Institute's website and in an e-circular to members.

5. Comparison between HKFRSs and IFRSs

The Committee received an updated comparison table between HKFRSs and IFRSs and approved it to be posted on the HKICPA website subject to certain changes. The Committee agreed to update the comparison table on a half-yearly basis.

In addition, the Committee requested the secretariat to review the following areas in HKFRSs to minimize the differences with IFRSs:

- In HKFRS 3 *Business Combinations* and HKAS 27 *Consolidated and Separate Financial Statements*, there are special provisions recognising the former legal constraint for a Hong Kong incorporated company from consolidating a subsidiary that does not meet the legal definition of subsidiary in its group accounts. After the implementation of the Companies (Amendment) Ordinance 2005, there should be no difference with the IFRSs and consideration should be taken to remove those provisions.

- In HKAS 12 *Income Taxes*, some examples may not be based on those in IAS. To make HKAS 12 verbatim with IAS 12 under the Institute's international convergence policy, there is a need to review whether the Australian Examples in HKAS 12 should be retained.

6. Report on the IASB/FASB round-table discussions on measurement and the HKFRS/IFRS Forum

Mr. Wilson Fung gave a brief summary of the items addressed at the HKFRS/IFRS Forum held on 16 January 2007 including accounting for leases, the financial statement presentation project and IASB work programme.

The Committee noted that the following subjects were raised with the IASB delegates during the Forum:

- the complexity and understandability of financial statements prepared under IFRSs;
- the importance of IFRSs on leases and investment properties in this part of the world;
- the urgent need for speedy revisions to the standards on related party and income tax; and
- the need to have a workable standard for SMEs.

The Committee also noted the report of the Roundtable discussions on Measurement.

The Chairman confirmed that it is important for the Institute to organise similar roundtable discussions when the IASB board members visit Hong Kong.

7. National Standard Setters Meeting and Meeting with IASB Conceptual Framework project team members

The Committee noted that the Institute has accepted the invitation of the UK Accounting Standards Board to host the next National Standard Setters Meeting which has been scheduled for 24 - 25 March 2007. It was noted that the secretariat was also planning a round-table discussion for interested members of the Committee, the technical partners from the Big 4 and mid-tier firms and CFOs of large companies to meet with the IASB Conceptual Framework project team members who would be in Hong Kong for the NSS meeting.

8. IASB Exposure Draft of Proposed Amendments to IFRS 1 First-time Adoption of IFRSs – Cost of an Investment in a Subsidiary

The Committee ratified the issuance of Invitation to Comment on the IASB Exposure Draft which was earlier approved by the Committee by circulation.

9. Compliance with HKFRSs vs compliance with IFRSs

The Chairman noted that at the World Standard Setters meeting held in last September, a challenge was made to all territories as to whether they could claim that, where their local standards are complying with IFRSs, such financial statements prepared under their respective local GAAPs could also comply with IFRSs. He considered that the Institute should work towards meeting this challenge.

It was noted that since most of the companies in Hong Kong had not adopted HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* when they transitioned

from SSAPs to HKFRSs, this might have an impact on such a statement.

The Committee requested the secretariat to include in its work plan a review of the impact of not adopting HKFRS 1 as at 1 January 2005 to see if the above point could be addressed prior to referring this matter back to the Committee and to the Auditing and Assurance Standards Committee.

Date of Next Meeting

The Committee agreed to hold its next meeting on 14 March 2007.

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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