

Financial Reporting Standards Committee
Meeting summary – June 2007

The Institute's Financial Reporting Standards Committee (Committee) met on 13 June 2007.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Clement Chan (Deputy Chairman), Raphael Ding (Deputy Chairman), Colin Chau, Ian Farrar, Wilson Fung, Paul Hebditch, Ronald Kung, Susanna Lau, Li Kwok Tso, Catherine Morley, Estella Ng, Tommy Tam, Stephen Taylor, Eymon Tsang and Cecilia Yam.

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

The Committee discussed the following items:

1. Mainland land appreciation tax
2. Proposed HKFRS/IFRS Forum
3. Annual Accounting Update 2007
4. Project working groups
5. Report on a special meeting on IFRS for SMEs
6. IFAC Survey on the Financial Reporting Supply Chain
7. Draft submission on Consultation Paper on the Rewrite of the Accounting and Auditing Provisions in the Companies Ordinance

1. Mainland land appreciation tax

In response to the concerns expressed by certain members on the possible divergent practice in the accounting treatment of Mainland land appreciation tax, the Committee agreed to set up a working group to deal with the issue.

It was agreed that the working group should aim at identifying the problems and suggesting whether there is a need to make a request to the IFRIC for clarification or whether the development of some form of guidance is needed.

2. Proposed HKFRS/IFRS Forum

In accordance with the Committee's Work Plan for 2007, the Committee planned to hold one more HKFRS/IFRS Forum or Luncheon in the second half of the year. The Committee tentatively agreed to hold a joint forum with the Stock Exchange.

The Committee suggested that topics to be covered in the forum might include segment reporting, foreign currency, preliminary announcement of annual results and mainland land appreciation tax.

The Committee then directed the secretariat to prepare an outline programme for further consideration.

3. Annual Accounting Update 2007

The Committee noted the memo from the Member Services Department inviting support for the Annual Accounting Update.

The Committee agreed to offer support by providing a proposed list of topics and referring volunteered speakers, if any, to the Continuing Professional Development Committee ("CPDC") for consideration. A member suggested that the CPDC might consider sourcing speakers from external training institutes.

The Committee noted that based on past experience, the participants of the Annual Accounting Update were primarily small and medium practitioners or preparers from levels below CEO or CFO. It was therefore suggested that it would be more likely to meet the needs of the potential audience if the Small and Medium Practitioners Committee ("SMPC") can suggest their topics of concern. The Chairman suggested that comments on the IASB Exposure Draft of a proposed IFRS for SMEs can be one of the topics and volunteered to chair the session on this topic for the Annual Accounting Update if this suggestion is taken up.

4. Project working groups

The Committee received the composition for the Working Group on Full Compliance with IFRSs and the Working Group on Distributable Profits.

The Committee noted the IASB has issued the Discussion Paper on *Preliminary View on Insurance Contracts* and agreed to set up a working group to prepare a draft submission on the Discussion Paper for consideration by the Committee.

The Committee agreed to invite a representative from one of the major insurance firms which has the experience in applying IFRSs to join the working group.

5. Report on a special meeting on IFRS for SMEs

The Committee noted that the Chairman, the Chairman of SME FRF Sub-Committee, the Chairman of the SMPC and the Institute's representative on the IFAC SMPC SME Reporting Task Force had a meeting on 16 April 2007 to communicate the Committee's preliminary views on the IASB's Exposure Draft of a proposed IFRS for SMEs. The Committee received the report on the special meeting and noted that the Chairman of the SMPC decided not to hold a joint forum with the Committee on the subject.

It was noted that the IASB has developed a field test questionnaire on the implementation of the proposed IFRS for SMEs and is seeking participation of small entities in the field test. The representative of the SMPC agreed to refer the IASB field test questionnaire to the SMPC and encourage the SMPs to participate in the field test.

6. IFAC Survey on the Financial Reporting Supply Chain

The Committee noted that as part of an IFAC project, a survey was designed by the IFAC to analyse the financial reporting supply chain and to develop recommendations to further improve the quality of financial reporting.

It was noted that an Institute's response would be prepared by the secretariat.

7. Draft submission on Consultation Paper on the Rewrite of the Accounting and Auditing Provisions in the Companies Ordinance

The Committee noted that a draft submission has been sent to Council for consideration. It was also noted that subsequent to sending the draft submission to Council, some further comments were received from members of the Committees which are involved in considering the Consultation Paper. The Chairman requested members to provide their comments, if any, to the secretariat for their preparation of a revised draft submission.

Date of Next Meeting

The Committee agreed to hold its next meeting on 11 July 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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