

**Financial Reporting Standards Committee**  
**Meeting summary – March 2007**

The Institute's Financial Reporting Standards Committee (Committee) met on 14 March 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, Tommy Tam and Eymon Tsang.

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

The Committee discussed the following items:

1. Revised proposed work plan for 2007
2. Proposed limited revisions to HKFRS 3 *Business Combinations* and HKAS 27 *Consolidated and Separate Financial Statements*
3. Dinner with participants of National Standard Setters Meeting and Meeting with IASB Conceptual Framework project team members
4. Invitation to Comment on IASB Exposure Draft of a proposed IFRS for Small and Medium-sized Entities
5. Report on international committees
6. IASB Exposure Draft of proposed amendments to IAS 24 *Related Party Disclosures – Stated-controlled Entities and the Definition of a Related Party*
7. Comments on IASB Discussion Paper and Exposure Draft

**1. Revised proposed work plan for 2007**

The Committee endorsed the revised work plan for 2007 which had taken into account comments made by the Committee at its last meeting.

Key items included in the work plan are:

*International convergence*

- To maintain full convergence with IASB pronouncements.
- To develop submissions on IASB exposure drafts and discussion papers.
- To participate in international events.
- To organise forums/luncheons to reach out to constituents.
- To update the comparison list between HKFRSs and IFRSs.
- To review the impact of not adopting HKFRS 1 on full compliance with IFRSs.

*Local standards and guidance*

- To revise SME-FRF & SME-FRS to cover the application to groups and keep in view the effect of the IASB's proposed IFRS for SMEs on the SME-FRF & SME-FRS.
- To review the consultation paper on the proposed amendments to the Companies Ordinance on the extension of the application of section 141D.
- To consider the latest version of the ICAEW technical release on distributable profits.
- To consider the relevance to HKAS 27 of any developments in Europe regarding the preparation of company level financial statements by parent companies under IFRS.

**2. Proposed limited revisions to HKFRS 3 *Business Combinations* and HKAS 27 *Consolidated and Separate Financial Statements***

The Committee considered the proposed limited revisions to HKFRS 3 *Business Combinations* and HKAS 27 *Consolidated and Separate Financial Statements* which seek to remove the 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 a subsidiary in its group accounts.

The Committee noted that the IASB performs an annual improvements process to deal with non-urgent, minor amendments to standards throughout the year and a single exposure draft will be issued for comment each year. The Committee agreed to expose the proposed revisions to HKFRS 3 and HKAS 27 when the IASB issues the exposure draft for the annual improvements process.

**3. Dinner with participants of National Standard Setters Meeting and Meeting with IASB Conceptual Framework project team members**

The Committee noted the details of the dinner and the expected participants of the National Standard Setters Meeting to be held on 24 March 2007.

The Committee noted that the two members of the Committee and a representative nominated by a member will join the roundtable discussions with the IASB Conceptual Framework project team members to be held on 23 March 2007. Committee members also nominated a number of CFOs for the secretariat to extend an invitation to join the roundtable discussion.

**4. Invitation to Comment on IASB Exposure Draft of a proposed IFRS for Small and Medium-sized Entities (SMEs)**

The Committee noted the issuance of the IASB Exposure Draft. The secretariat informed the Committee that the SME Financial Reporting Framework Sub-Committee (SMESC) will meet on 21 March 2007 to consider a draft high level comparison between the current Hong Kong SME-FRF & SME-FRS and the proposed IASB IFRS for SMEs. It was agreed that the comparison would be posted onto the Institute's website by the end of March 2007.

The representative of the Small and Medium Practitioners Committee (SMPC) who sits on the Committee reported that the SMPC suggested holding a forum for the IASB Exposure Draft so that their views can be taken into account by the secretariat for inclusion in the submission to the IASB. The Committee considered that it is important for the SMPC to form its view and provide commentary with reasoning to the Committee for consideration. The Committee agreed that the Committee should hold a joint forum with the SMPC and the Chairman volunteered to chair the proposed forum.

**5. Report on the international committees**

The Committee noted that the Institute's representative has attended the meeting of the International Working Group on Lease Accounting held on 15 February 2007. The Committee was informed that the questions in the meeting papers were addressed in the meeting and there was no serious disagreement on the major principles of the papers on recognition of assets and liabilities in operating leases. However, the issues of practical application were not discussed during the meeting and will be the topic for the next meeting.

6. **IASB Exposure Draft of proposed amendments to IAS 24 Related Party Disclosures – Stated-controlled Entities and the Definition of a Related Party**

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

7. **Comments on IASB Discussion Paper and Exposure Draft**

The Committee was informed that the secretariat would be preparing a draft submission on IASB Discussion Paper *Fair Value Measurement* and IASB Exposure Draft of proposed amendments to IFRS 1 *First-time Adoption of IFRSs – Cost of an Investment in a Subsidiary* during the next month.

The Chairman encouraged members to provide any preliminary comments that they might have on the IASB Discussion Paper and Exposure Draft.

**Date of Next Meeting**

The Committee agreed to hold its next meeting on 11 April 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](mailto:commentletters@hki CPA.org.hk).

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