



Financial Reporting Standards Committee
Meeting summary – December 2008

The Institute's Financial Reporting Standards Committee (Committee) met on 2 December 2008.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Clement Chan (Deputy Chairman), Raphael Ding (Deputy Chairman), Colin Chau, Ian Farrar, James Fawls, Wilson Fung, Paul Hebditch, Caron Hughes, Susanna Lau, Li Kwok Tso, Gladie Lui, Catherine Morley, Tommy Tam, Eymon Tsang and Roland Wong.

Mr. PM Kam (Institute's representative on IASB Standards Advisory Council) was also present for Item 1.

Staff present were: Steve Ong, Florence Wong and Winnie Chan

The Committee discussed the following items:

1. IASB Standards Advisory Council – progress report
2. Draft submission on IASB Exposure Draft of Proposed Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
3. Proposed Amendments to HKFRSs
4. Companies Registry request for accounting guidance

1. IASB Standards Advisory Council – progress report

Mr. PM Kam attended the IASB Standards Advisory Council meeting held on 13 - 14 November 2008 and provided a verbal report on the items discussed as follows:

i) Common Control Transactions

The IASB will begin to work on the project when staff become available.

ii) IASB Discussion Paper on Reducing Complexity in Reporting Financial Instruments

The IASB received 157 comment letters as of 1 October 2008. The majority of preparers and auditors do not support a long-term solution requiring fair value for all financial instruments whereas users of financial statements generally support it. The IASB will use the responses received as starting points for developing long-term solutions to reporting for financial instruments.

iii) The Credit Crisis

Key announcements and measures taken by the IASB in response to the credit crisis were summarized during the meeting. It was noted that the IASB and the FASB had already held two round tables in Europe and North America to gather input on reporting issues emanating from the current global financial crisis. A third round table would be held in Tokyo on 3 December 2008 and the Chairman and the Deputy Director of the Standard Setting Department will be attending this last roundtable.

The Chairman also reported that the Institute was one of 20 jurisdictions that signed the National Standard Setters Communiqué on 14 November 2008 expressing support for the IASB to develop global financial reporting standards and stressing the importance of due process.

A copy of the Communiqué can be viewed at:

http://www.hkicpa.org.hk/correspondence/2008-11-21/NSS_IASB.pdf

iv) Conceptual Framework

It was noted that the IASB proposed to publish each chapter of the Framework once it is completed and thereafter this would be followed by a single exposure draft on the whole series after all the chapters of the project are completed so that constituents can comment on the revised framework as a whole.

v) IFRS for Private Entities

The IASB is expected to publish the final Standard in the first quarter of 2009. It is proposed to include only the simpler option (when options are permitted) in the body of the Standard; other accounting policy options in IFRSs would not be available to private entities. In addition, the IASB would further consider the title of the Standard due to some negative reactions received from the change of name from IFRS for SMEs to IFRS for Private Entities.

2. **Draft submission on IASB Exposure Draft of Proposed Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments**

The Committee considered the draft submission and endorsed it for Council's approval.

The Institute's submission was forwarded to the IASB on 15 December 2008 and can be viewed at

http://www.hkicpa.org.hk/professionalttechnical/accounting/submissions/2008/ED7_Improving_Disclosures_submission.pdf

3. **Proposed Amendments to HKFRSs**

The Committee agreed to recommend Council to approve the issue of the Hong Kong equivalent of the following IFRSs/IFRIC Interpretation with the same effective date without modification:

- (a) Revised version of IFRS 1 *First-time Adoption of IFRSs*;
- (b) Amendments to IAS 39 and IFRS 7 – *Reclassification of Financial Assets* – Effective Date and Transition (clarification on the effective date and transition requirements of earlier amendments); and
- (c) IFRIC Interpretation 17 *Distributions of Non-cash Assets to Owners*.

With respect to Item (b) above, this was by majority decision.

4. **Companies Registry request for accounting guidance**

The Standard Setting Department received an email from the Companies Registry requesting the Institute to consider developing a guidance note on the calculation of the value of a person's accrued benefits under a defined benefit plan when it is transferred to another pension provider.

The Committee considered that no accounting guideline is necessary in this regard based on the following reasons:

- (1) The NSS considers IAS 26 *Accounting and Reporting by Retirement Benefit Plans* is out of date and should be withdrawn. The New Zealand Financial Reporting Standards Board is conducting research to examine the implications of such withdrawal by IASB;
- (2) The issue has arisen in the UK as a result of Director's disclosure requirements which do not exist in Hong Kong;
- (3) "Transfer value" is not an accounting concept but a valuation issue and thus it is considered not appropriate for the Institute to develop guidance on its calculation; and
- (4) Defined benefit plans are not common in Hong Kong.

Date of Next Meeting

The Committee agreed to hold its next meeting on 6 January 2009.

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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