

**Financial Reporting Standards Committee**  
**Meeting summary – November 2008**

The Institute's Financial Reporting Standards Committee (Committee) met on 7 November 2008.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Clement Chan (Deputy Chairman), Raphael Ding (Deputy Chairman), Chan Tak Shing, Colin Chau, Wilson Fung, Paul Hebditch, Caron Hughes, Nelson Lam, Li Kwok Tso, William Lim, Catherine Morley, Tommy Tam and Roland Wong.

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

The Committee discussed the following items:

1. Invitation to Comment on IASB Exposure Drafts (ED) and Discussion Paper (DP)
2. IASB ED of Proposed Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
3. HKICPA Consultation Paper – Financial Reporting by Private Companies
4. Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets
5. Report on meeting with Mr. Wayne Upton, IASB Director of International Activities
6. Report on China, Japan and Korea Accounting Standard Setters' Meeting
7. National Standard Setters Conference Call on 7 November 2008

**1. Invitation to Comment on IASB Exposure Drafts (ED) and Discussion Paper (DP)**

The Committee approved the issuance of the following draft Invitations to Comment:

- (a) IASB ED of Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Discontinued Operations*;
- (b) IASB ED of Amendments to IFRS 1 *First-time Adoption of IFRS – Additional Exemptions for First-time Adopters*;
- (c) IASB ED of Proposed Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*; and
- (d) IASB DP on *Preliminary Views on Financial Statement Presentation*.

The Committee agreed that a consultation forum should be held on the IASB DP on *Preliminary Views on Financial Statement Presentation*, given that if adopted, the proposals would have a significant impact on the profession.

**2. IASB ED of Proposed Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments***

The Committee agreed that the Institute should prepare a submission for the ED given its potential impacts on financial statements under the current credit crisis.

**3. HKICPA Consultation Paper – Financial Reporting by Private Companies**

It was noted that a total of 122 written comment letters and questionnaires were received.

The Committee noted that most of the comments received confirmed general support for providing relief to private companies from applying full HKFRSs and providing an option to large private companies to choose a simpler reporting framework. However, diverse opinions were expressed in terms of how these might be achieved.

The Chairman stated that the diverse opinions expressed is understandable given that the Consultation Paper did not set out clear recommendations, but merely asked for views based on several options. Furthermore, the IASB ED on IFRS for SMEs in existence at the time of consulting was rather complicated and at that time did not appear to provide an easy answer. This position is expected to change. The limitation of the cost based SME-FRF & FRS when applying it to a large private entity was also not highlighted sufficiently. With hindsight, it was generally agreed that the consultation paper was premature.

In anticipation of the release of IFRS for Private Entities (name changed from IFRS for SMEs) by the end of 2008, the Committee decided to defer the discussion of the way forward in respect of the private company financial reporting framework.

#### **4. Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets**

The Committee noted the Council's approval of the adoption of the IASB amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets* for the equivalent HKFRSs at its meeting on 14 October 2008. Amendments to HKFRSs have been issued on 29 October with the same effective date as the IASB Amendments.

#### **5. Report on meeting with Mr. Wayne Upton, IASB Director of International Activities**

The Chairman reported that he had discussed with Mr. Upton the following issues:

- (i) IAS 12 *Income Taxes* – Deferred taxation and investment properties in Hong Kong

The upcoming ED of IAS 12 to be released in the 4<sup>th</sup> quarter of 2008 confirmed a change with respect to deferred tax on investment properties which appears to address concerns in Hong Kong.

- (ii) Interpretation on the application of “consumption of economic benefits” in paragraph 98 of IAS 38 *Intangible Assets*

During the discussion, it became apparent that it would not be likely that IFRIC would provide further guidance on whether “consumption of economic benefits” refers to revenue generated from the asset (usage-based approach) or refers to the asset itself (time-based approach). The application should follow the general principles of the Standards and that of IFRIC 12 *Service Concession Arrangements*.

The Committee agreed that a Technical Q&A should be prepared to help members in determining the appropriate accounting policy for intangible assets. This would then enable the withdrawal of HK-Int 1 *The Appropriate Accounting Policies for Infrastructure Facilities*.

#### **6. Report on China, Japan and Korea Accounting Standard Setters' Meeting**

Mr. Raphael Ding briefed the Committee on the recent development of the IFRS convergence in China, Japan and Korea. The three countries agreed that it is important to strengthen the cooperation between the accounting standard setters of Asian and Oceania countries to promote convergence with IFRS and to provide constructive feedback to IASB in developing future accounting standards.

## **7. National Standard Setters Conference Call on 7 November 2008**

It was noted that a conference call of the National Standard Setters (NSS) would be held on 7 November 2008 due to the following two matters:

(i) the European Commission has again written to the IASB requesting changes to IAS 39 and IFRS 7. It is requested that the issues should be addressed in time for the publication of year-end 31 December 2008 results.

(ii) it was the understanding that the governance of the IASB has been included on the agenda of the G20 meeting on 15th November. There was a fear that some suggestions for change would impair the IASB's independence and result in much greater and more direct government involvement in its affairs.

*[Post meeting note: The NSS Group decided on 14 November to issue a Communiqué to the IASB and the Trustee of the IASC Foundation to continue to support the IASB and its efforts to achieve true global financial reporting standards and stress that it is important that the IASB follows appropriate due process. A copy of the Communiqué can be viewed at: [http://www.hkicpa.org.hk/correspondence/2008-11-21/NSS\\_IASB.pdf](http://www.hkicpa.org.hk/correspondence/2008-11-21/NSS_IASB.pdf)]*

### Date of Next Meeting

The Committee agreed to hold its next meeting on 2 December 2008.

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@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk).

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**Meeting Summaries are provided for the information and convenience of those who wish to follow the Committee's deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this Meeting Summary, or for any errors or omissions in it.**