



Minutes of the 183rd meeting of the Financial Reporting Standards Committee held on Tuesday, 6 July 2010 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Mr. Clement Chan (Chairman)
Mrs. Catherine Morley (Deputy Chairman) – via teleconference
Mr. Stephen Chan
Mr. Colin Chau
Mr. Ian Farrar (represented by Ms. Shelley So)
Mr. James Fawls
Mr. Paul Hebditch
Miss Fanny Hsiang
Ms. Kelly Kong
Ms. Susanna Lau
Mr. Allen Leung
Mr. William Lim
Mr. Paul Phenix

In attendance: Mr. PM Kam, Institute's representative on IFRS Advisory Council (for Item 1 only)
Mr. Chris Joy, Executive Director
Mr. Steve Ong, Director, Standard Setting
Ms. Winnie Chan, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

Apologies for absence were received from Mr. Raphael Ding and Ms. Caron Hughes.

1. **Report on IFRS Advisory Council Meeting (previously known as IASB Standards Advisory Council) on 21st and 22nd June 2010**

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Mr. PM Kam provided a verbal report on the major items discussed as follows:

(i) Overview of IASB's activities

Sir David Tweedie stressed the importance of completing the convergence project by June 2011 as a number of countries will be adopting IFRS in 2011 or 2012. The joint projects on financial instruments, revenue recognition, leases, the presentation of other comprehensive income and fair value measurement are targeted to be completed by June 2011. In addition, IASB has also made a priority to improved disclosures about derecognized assets and other off-balance sheet risks, consolidation (in relation to structured entities) and its project on insurance contracts. The Board will continue to work on the limited scope change of the Income Tax project.

(ii) Criteria of IASB's agenda

The Council generally agreed that the current criteria for the IASB's agenda should be revised to focus on significant gaps in existing IFRSs and standards creating significant problems in practice, reduction in complexity and consideration of costs and benefits. It was also agreed that the conceptual framework should be considered separately in setting the post-2011 agenda so that it would not be further delayed.

(iii) Post-2011 IASB Work Plan

The Council generally agreed that the strategic direction of the post-June 2011 technical agenda should be:

- Retain the current objective of serving the reporting needs of investors, creditors and other providers of capital for profit-oriented entities
- Provide a period of calm in issuing new standards
- Allocate significant resources to ensuring that the standards are interpreted and applied with an appropriate degree of consistency and that they are producing the intended results
- Expedite completion of the conceptual framework project
- Continue and expand outreach activities and
- Manage the relationship between IFRS and IFRS for SMEs.

(iv) Process for IASB's public consultation on its technical agenda

It was noted that under the revised Constitution, the IASB shall carry out a public consultation on its technical agenda every three years; the first one is due by 30 June 2011. The Council recommended that respondents should be asked to comment on a list of proposed work plan. It is important to disclose the criteria used by IASB to come up with the work plan. It was also suggested that the Board should take note of issues in Asia.

Mr. Kam also attended two education sessions, namely (1) Leases and (2) IFRS for SMEs.

2. **Minutes of the 181st and 182nd meeting**

The minutes of the 181st and 182nd meeting were approved by the Committee and signed by the Chairman.

3. **Consultation Paper on Companies Ordinance Rewrite relating to Accounts and Audit**

The Committee noted the preliminary comments prepared by the Standard Setting Department on the key areas of the Consultation Paper in relation to "Accounts and Audit" and provided additional comments for consideration by the Institute.

The Standard Setting Department is requested to prepare a revised draft submission for the Committee's consideration and endorsement by circulation.

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<p>4. <u>Accounting Application Issue</u></p> <p>It was noted that a meeting with the Hong Kong Association of Banks was held on 18 June 2010. The Committee received a summary of the information gathered from the meeting and considered the draft technical Q&A prepared by the Standard Setting Department. The Committee agreed to discuss the issue with Mr. Robert Garnett, Chairman of IFRS Interpretations Committee when he comes to Hong Kong on 22 July 2010 before considering what next steps to take.</p> <p>The Standard Setting Department was requested to revise the draft Q&A based on the comments received at the meeting for the consideration of the Committee by circulation.</p>	SS Dept.
<p>5. <u>HKFRS For Private Entities</u></p> <p>The Committee approved the Chinese name for HKFRS for Private Entities to be "私營企業香港財務報告準則".</p> <p>The Committee noted that due to the absence of the guidance in the HKFRS for SMEs, there is frequent enquiry from practitioners about how to apply the concept of "undue cost or effort" found in the Standard. The Committee considered that the issue may not be solely affecting practitioners in Hong Kong but also in other jurisdictions. It was agreed that the matter should also be discussed with Mr. Garnett during his visit to Hong Kong. In the mean time, the Standard Setting Department was requested to write a letter to Mr. Paul Pacter, IASB Board Member, for further guidance from the IASB.</p>	SS Dept.
<p>6. <u>IASB ED on Conceptual Framework for Financial Reporting: The Reporting Entity</u></p> <p>The Committee considered the draft submission prepared by the Standard Setting Department. A member raised a concern that the proposal in the Exposure Draft that parent-only financial statements should only be presented together with consolidated financial statements is inconsistent with the current exemption provided in IAS 27 paragraph 10. The Chairman requested the Committee to review the draft submission together with the comment letters received and provided feedback to the Standard Setting Department.</p> <p><i>[A revised submission was prepared by the Standard Setting Department and the submission was submitted to the IASB by the due date after its approval by the Committee by circulation.]</i></p>	SS Dept.
<p>7. <u>Comment on Various Consultation Documents</u></p> <p>The Committee agreed that the Institute should prepare a submission on the following consultation documents:</p> <ul style="list-style-type: none"> (i) IASB Request for Comment on FASB Financial Instruments Exposure Draft; and (ii) International Valuation Standards Council Exposure Draft of Proposed New International Valuation Standards <p>It was agreed that for item (i), this would be considered by the Working Group on Financial Instruments. For item (ii), given that the subject would</p>	SS Dept.

be in relation to the field of valuation, the Standard Setting Department was requested to set up a working group with participation of valuers.

8. Visit of Mr. Robert Garnett on 22 July 2010

The Committee noted the following events will be organized with Mr. Robert Garnett on 22 July:

- (a) Financial Reporting Forum with members
- (b) Welcoming lunch and
- (c) Meeting with the Committee

For the meeting of the Committee with Mr. Garnett, the Committee agreed that the agenda should include topics on deferred taxation, identified accounting application issues and recent requests for interpretation from the IFRS Interpretations Committee.

9. Agenda of National Standard Setters Meeting (September 2010)

The Committee noted the Chairman of National Standard Setters (NSS) requesting for input on the agenda of the coming NSS meeting. Members were requested to pass their suggestions, if any, to the Standard Setting Department.

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There being no further business, the meeting closed at 10:40 a.m.

CLEMENT CHAN
CHAIRMAN

16 July 2010