



Minutes of the 179th meeting of the Financial Reporting Standards Committee held on Tuesday, 2 March 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)
Mr. Stephen Chan
Mr. Colin Chau
Mr. Raphael Ding
Mr. Ian Farrar
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 IASB Standards 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. James Fawls and Caron Hughes.

1. **Report on IASB Standards Advisory Council Meeting on 22nd and 23rd February 2010**

Action

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

(i) Overview of IASB's activities

Over the last three months, the Board continued to give priority to financial crisis related projects and MOU projects. It was noted that the Board planned to carry out a limited review of IAS 12 *Income Taxes* to address the weaknesses in the current requirements in relation to those jurisdictions that do not tax capital gains on the disposal of property. The Board will discuss how to address these concerns in the next meeting on 18 March 2010.

(ii) XBRL and IFRS

The XBRL team gave an introduction of the principle of IFRS Taxonomy and the role of its extensions. It was agreed that the presentation issue is still important in an XBRL world even though users could use XBRL tagged data to choose their own ways of presenting the data.

(iii) IASB Work Plan post-June 2011

SAC members were asked to discuss again the strategic direction of how the post-June 2011 technical agenda should be developed. It was agreed that a period of calm is desired and the Board should focus on post-implementation reviews. The IASB promised that post-implementation review would be started after the issuance of a new standard for 2 years. In addition, it was suggested that convergence with national standards should no longer be a primary driver of the IASB work programme.

(iv) Effect Analysis

SAC members generally considered that the existing approach of preparing cost and benefit analysis, like the one undertaken for the replacement of IFRS 3 *Business Combinations* and the revised IAS 27 *Consolidated and Separate Financial Statements* was appropriate.

Mr. Kam also attended two education sessions, namely (1) Financial Instruments and (2) Financial Statements Presentation.

2. **Minutes of the 178th meeting**

The minutes of the 178th meeting were approved by the Committee and signed by the Chairman.

3. **Withdrawal of HK-Int 1 *The Appropriate Accounting Policies for Infrastructure Facilities***

The Committee noted that HK-Int 1, issued in 2004, which sets out the guidance on what is an appropriate method of amortising the infrastructure facilities, is outdated. It was noted that the issuance of HK (IFRIC) Int -12 *Service Concession Arrangements* in March 2007, an amendment to HKAS 38 *Intangible Assets* in October 2008 and the recent IFRIC's conclusion on the application of the "consumption of economic benefits" in IAS 38 in January 2010 address various aspects of depreciation of property, plant and equipment and amortization of intangible assets that are covered in HK-Int 1. It was agreed that the withdrawal of HK-Int 1 should not have a material impact on current practice. In the light of the above together with an aim to eliminate textual differences from IFRS, the Committee agreed to withdraw HK-Int 1 from the Members' Handbook effective for annual periods commencing on or after 1 January 2010.

The Committee also agreed that, when removing the above documents from the Members' Handbook, a note should be included in the covering explanatory notes drawing attention to the impact of the withdrawal and the IFRIC's recent agenda decision.

[Post meeting note: Members' Handbook Update No. 80 was issued 12 April 2010 and can be viewed at:

http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update080.pdf]

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4. **HKFRS for Private Entities**

The Chairman updated the Committee that Sir David Tweedie has replied our letter dated 10 February 2010 saying that he is delighted to hear that the HKICPA has issued a Statement of Intent indicating its intention to adopt the IFRS for SMEs.

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The Committee agreed that there is a need to enhance the existing illustrative financial statements of HKFRS for Private Entities by incorporating the requirements of the Companies Ordinance. The Standard Setting Department was requested to prepare a draft for the Committee's consideration.

It was noted that queries were raised by participants at the recent financial reporting lunch forums in relation to the type of entities that are eligible to use the standard. Accordingly, the Standard Setting Department has prepared a draft guidance in the form of Q&A on the applicability of the standard to different types of private entities that do not have public accountability. The Committee generally agreed to issue the document as a general guidance and suggested the Standard Setting Department to clarify the authority on the cover page of the guidance. Members were requested to review the draft Q&A and to pass their comments to the Standard Setting Department. It was agreed that a revised draft will be circulated for the Committee's consideration.

5. **HKICPA Exposure Draft on Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the HK Companies Ordinance**

It was noted that the Working Group held its meeting on 25 February 2010 to discuss the comment letters received in relation to the Exposure Draft. The Convenor of the Working Group reported that the Working Group has considered all the comments received and noted the concerns of the constituents that the determination of the distributable profits could be complex for an entity in some cases. However, the Working Group felt that this was a consequence of the accounting standards departing to such a great extent from the principles of what a "realised profit" is and that it was not within the authority of the Institute to express a view that in general retained profits as computed under HKFRSs should be regarded as "realised". The Working Group agreed that the Executive Summary accompany to the guidance should be revised to make it more "user-friendly" and to clarify the apparent misunderstandings by the commentators as to the role and authority of this guidance.

In addition, noting concern received on releasing the document in the form of Practice Note, the Working Group recommended to issue the Guidance in the form of Accounting Bulletin instead.

It was agreed that a revised draft of the Accounting Bulletin will be submitted to the Committee for endorsement in the next meeting.

6. **IASB proposed exemption in IFRS 1 for the use of an event-driven revaluation as deemed cost**

The Committee was asked to review the IASB proposed wording of the amendments to IFRS 1 *First-time Adoption of IFRS* for inclusion in the final *Improvements to IFRSs* that will be published in April 2010. It was agreed

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that certain areas in relation to the effective date and the applicability of the amendments should be further clarified with the IASB. The Standard Setting Department was requested to reflect the comments to the IASB for their further consideration.

7. **Update on deferred taxation issue related to revaluation of investment properties**

The Committee noted the reply from Sir David Tweedie on 12 February 2010 confirming that the deferred taxation issue raised by us in relation to revaluation of investment properties will be discussed at the next IASB meeting in March.

8. **IASB ED on Management Commentary**

The Committee considered the revised draft submission prepared by the Standard Setting Department and generally agreed that the proposed guidance on management commentary should not include prescriptive requirements or detailed illustrative examples but the provision of further explanation on certain key terms would be helpful. Subject to the changes agreed at the meeting, the Committee approved the submission.

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[Post meeting note: The Institute's submission was forwarded to the IASB on 2 March 2010 and can be viewed at:

[http://www.hkicpa.org.hk/file/media/section6_standards/standards/Financial Reporting/submission-pdf/2010/sub-mgt-commentary.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/Financial%20Reporting/submission-pdf/2010/sub-mgt-commentary.pdf)

9. **Visit of Sir David Tweedie on 16 April 2010**

The Chairman informed the Committee that Sir David Tweedie would be visiting Hong Kong on 16 April 2010. The Committee agreed to organize an informal lunch and a meeting with Sir David Tweedie. The Standard Setting Department was requested to draft a programme for the Committee's consideration.

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There being no further business, the meeting closed at 10:20 a.m.

CLEMENT CHAN
CHAIRMAN

10 March 2010