



Minutes of the 189<sup>th</sup> meeting of the Financial Reporting Standards Committee held on Tuesday, 11 January 2011 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. Raphael Ding  
Mr. James Fawls  
Mr. Paul Hebditch  
Miss Fanny Hsiang  
Ms. Kelly Kong  
Mr. William Lim  
Mr. Paul Phenix  
Ms. Shelley So

In attendance: 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. Colin Chau, Ms. Caron Hughes, Ms. Susanna Lau and Mr. Allen Leung.

	<u>Action</u>
<p>1. <b><u>Minutes of the 188<sup>th</sup> meeting</u></b></p> <p>The minutes of the 188<sup>th</sup> meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2. <b><u>Proposed meeting schedule for the term of 2011</u></b></p> <p>The Committee agreed on the following meeting dates:</p> <p>8 February 8 March 12 April 3 May 7 June 5 July 2 August 6 September 4 October 1 November 6 December 10 January</p>	
<p>3. <b><u>HKICPA Accounting Bulletin 4 Guidance on the Determination of Realized Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance (AB4)</u></b></p> <p>The Committee discussed the measures that the Institute should put in place to enhance the educational aspects of AB4 and to develop a protocol for its maintenance given the ongoing development of accounting</p>	

standards. The Committee agreed that:

- (i) the impact on the realized profits should be considered for each new and revised standard;
- (ii) the working group should meet on a regular basis to update AB4 with reference to developments in the UK and new accounting standards;
- (iii) regular CPD training programme should be organized; and
- (iv) more articles should be published in the Institute's publications such as A-Plus and TechWatch to draw its attention to practitioners and to promote consistency.

Mr. Raphael Ding volunteered to join the working group and Mr. James Fawls agreed to nominate a representative to the working group.

Deputy Chairman proposed that Nigel Dealy of PwC shall be the chair of this working group given his involvement in the ICAEW working party that develops the guidance on realized profits. The Committee agreed with the proposal.

4. **HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

Subject to a minor amendment agreed at the meeting, the Committee approved the publication of the illustrative disclosure for the application of HK Interpretation 5.

SS Dept.

*[Post meeting notes: The illustrative disclosure was posted onto the Institute's website on 12 January 2011 and can be viewed at: [http://www.hkicpa.org.hk/file/media/section6\\_standards/technical\\_resources/pdf-file/smp-sme/2011/jan/illustrative-disclosures.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/technical_resources/pdf-file/smp-sme/2011/jan/illustrative-disclosures.pdf)]*

5. **HKFRS for Private Entities and SME-FRF & FRS**

(1) *HK Interpretation 5*

The Committee agreed that the conclusion set out in the HK Interpretation 5 should be applied when reporting under both HKFRS for Private Entities and SME-FRF&FRS. To maintain the standards as standalone documents, the Committee agreed that a footnote should be added to the HKFRS for Private Entities and SME-FRF&FRS clarifying the classification of a term loan which contains a repayment on demand clause.

SS Dept.

(2) *Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets*

It was noted that, in finalising the HKFRS for Private Entities, the Committee had taken into account the forthcoming IASB's amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* and had therefore adopted a different requirement from the IFRS for SMEs in Section 29 reflecting the proposed IAS 12 amendments. Given that the existing requirement in Section 29 of

the HKFRS for PEs would effectively produce a similar result as that under the IAS 12 amendments, the Committee therefore agreed that there would be no need to revise the HKFRS for Private Entities in respect of the recent amendments to HKAS 12.

**6. IFRS Practice Statement on Management Commentary**

The Committee noted that the IASB had recently published the IFRS Practice Statement on Management Commentary. As this Practice Statement covers a number of areas addressed by the Companies Ordinance Rewrite which is still in progress, the Committee agreed that the Institute should not adopt this Practice Statement now but should closely monitor the implementation of this Practice Statement in other jurisdictions.

**7. Business Combination under Common Control**

The Committee had previously expressed interest in joining the National Standards Setters (NSS) Common Control project which is led by the Italian and French standards setters. The Committee agreed that a working group should be set up to prepare a summary of commonly seen common control transactions and their accounting treatment in Hong Kong and the Mainland China for submission to NSS project leaders for consideration.

Mr. James Fawls volunteered to join the working group. Ms. Catherine Morley nominated Ms. Wincey Lam of her firm to join the working group. The Chairman requested members to submit their nominations, if any, to the Standard Setting Department.

**8. IFRS Interpretations Committee Review**

The Committee considered the draft response prepared by the Standard Setting Department to the questionnaire which had been developed by the IFRS Foundation Trustees Due Process Oversight Committee as part of its review of the effectiveness of the IFRS Interpretations Committee. The Committee had a number of comments and observations on the suggested response prepared by the Standard Setting Department.

SS Dept.

The Standard Setting Department was requested to revise the response based on the comments received at the meeting for the consideration of the Committee by circulation.

**9. IASB Exposure Draft of Hedge Accounting**

The Committee agreed that the Financial Instruments Working Group should be invited to prepare the Institute's submission on the IASB Exposure Draft of hedge accounting.

Committee

In addition, the Committee noted that the IASB had planned for outreach meetings in Hong Kong on 21 and 22 February 2011 to hear constituents' views on its exposure draft of hedge accounting and proposed revised impairment model for financial assets measured at amortized cost. Members were asked to identify interested parties from both within and outside the financial services sector that would like to attend the outreach meetings.

**10. Comparison between HKFRSs and IFRSs as at 1 January 2011**

The Committee approved the comparison table to be posted on the HKICPA website. SS Dept.

**11. Any other business**

The Chairman reported that the meeting would be the last meeting for the extant Committee and thanked members who contributed their services to the Committee during the year. He also thanked the Standard Setting Department for its technical and secretarial support.

There being no further business, the meeting closed at 11:20 a.m.

CLEMENT CHAN  
CHAIRMAN

21 January 2011