



Minutes of the 199th meeting of the Financial Reporting Standards Committee held on Tuesday, 6 March 2012 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. James Fawls
Mr. Henri Fok
Ms. Elsa Ho
Ms. Caron Hughes
Ms. Kelly Kong
Mr. Nelson Lam
Ms. Susanna Lau
Mr. Ernest Lee
Mr. William Lim
Mr. Eugene Liu
Mr. Paul Phenix
Mr. Kenneth Siu
Ms. Shelley So
Ms. Florence Wong

In attendance: Mr. Carlson Tong, Institute's representative on IFRS Advisory Council (for item 1 only)
Mr. Steve Ong, Director, Standard Setting
Ms. Winnie Chan, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

1. **Report on IFRS Advisory Council Meeting on 20 and 21 February 2012**

Action

Mr. Carlson Tong who was newly appointed as the representative of the Institute at the IFRS Advisory Council from January 2012 provided a verbal and written report on the major items discussed as follows:

(i) Overview of IASB's activities

Mr. Hans Hoogervorst reported the progress of the four convergence projects: Financial Instruments, Revenue Recognition, Leases and Insurance Contracts. It was noted that completing the four projects continue to be the major priority of the IASB agenda.

(ii) Update on IFRS adoption in the US

There is a clear consensus in the US that the ultimate goal is to eventually adopt IFRS but the final responsibility for accounting standards in the US must always remain with the US.

(iii) Update on Financial Instruments projects

IFRS 9 effective date has been deferred to 1 January 2015. There will be limited modifications to IFRS 9 and an exposure draft is estimated to be issued in the second half of this year. Impairment would be based on the three buckets approach but has been redefined on the differences between bucket 2 and bucket 3. The differentiation is no longer based on credit quality but whether it is on a group basis or an individual basis.

(iv) IASB Agenda consultation

A wide ranging exercise was undertaken by the IASB to consult on the Board's agenda for the next three years and the major feedback was that developing and finalizing a conceptual framework and maintaining a stable platform of standards are important.

(v) Disclosures

It was noted that there is a wide spread concern on excessive disclosures for financial reporting and a number of research projects have been carried out by different national standard setters. It was suggested that the IASB should take the lead on this and should include the disclosure framework under the overall conceptual framework project.

2. Welcome to new members and Committee composition for 2012

The Chairman welcomed Mr. Henri Fok, Mr. Nelson Lam, Mr. Ernest Lee, Mr. Eugene Liu and Mr. Kenneth Siu as new members to the Committee.

The Committee recorded a vote of thanks to retired members, Mr. Paul Hebditch and Mr. Allen Leung for their contributions to the Committee during the tenure of their services.

3. Terms of Reference 香港會計師公會

The Committee considered and agreed the terms of reference which was brought forward from last year.

4. Meeting Schedule for 2012

The Committee agreed on the following meeting dates for 2012:

11 April
8 May
12 June
3 July
7 August
4 September
9 October
13 November
12 December

5. Minutes of the 198th meeting

The minutes of the 198th meeting were approved by the Committee and signed by the Chairman.

6. **Work plan for 2012**

The Committee considered the status report of the Work Plan for 2012 and noted the progress made on the various projects.

The Committee suggested that the Business Combination working group should review the application of AG 5 *Merger Accounting for Common Control Combinations* and a closer co-operation should be established with regulators such as HKEx and FRC to facilitate consistency of application and interpretation of HKFRS and thereby enhance the overall quality of financial reporting in Hong Kong.

7. **Consultation on Eligibility for the use of Small and Medium Sized Entity Financial Reporting Framework and Financial Reporting Standards**

The Standard Setting Director reported that the Institute has received general support for the proposal to increase the size criteria for simplified financial reporting by doubling the limits to HK\$100 million assets, HK\$100 million turnover and 100 employees, while maintaining the "two out of three" approach. The Institute has submitted its response to the Companies Bill Team on 22 February 2012.

8. **Report on the Meeting with Ministry of Finance (MoF) in Guangzhou**

The Standard Setting Director reported that the Chairman together with the Standard Setting team visited MoF in Guangzhou on 8 February 2012 to discuss the ongoing convergence of China Accounting Standards for Business Enterprises (CASBE) and HKFRS.

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9. **Implementation of HKFRS 10 in Hong Kong**

The Committee noted that Singapore Accounting Standards Council (ASC) has written to the Standard Setting Department for information on the application of IFRS 10 in Hong Kong, particularly if the REITs entities have raised concerns under the new standard.

The Committee suggested that the Standard Setting Department work with large accounting firms and/or industry groups to reach out to REITs entities to raise awareness of HKFRS 10 and provide a means by which REITs entities could discuss particular concerns on applying HKFRS 10 and reach a common understanding on proper implementation. The Committee also suggested that the Standard Setting Department obtain more information from Singapore ASC to note for any common interests for further discussion.

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10. **IASB Exposure Draft of Revenue from Contracts with Customers**

The Committee noted that CFO roundtables and financial reporting forum were held by the Institute on 13 February 2012 with the IASB project director, Mr. Henry Rees to assist the local constituents to have a better understanding of the potential implications of the exposure draft and to hear views from the constituents. More than 150 members attended the financial reporting forum held on that evening.

The Committee considered the draft submission prepared by the Working Group and had a number of comments and observations on the draft

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response. The Standard Setting Department was requested to work with the working group to revise the draft submission based on the comments received at the meeting for the consideration of the Committee by circulation.

[Post meeting note: The HKICPA submission was submitted to the IASB on 13 March 2012 and is available at http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2012/sub-revenue.pdf].

11. **IASB Exposure Draft of Proposed Amendments to IFRS 10 – Transition guidance**

The Committee considered the draft submission prepared by the Standard Setting Department and had a number of comments and improvement changes on the draft letter. The Standard Setting Department was requested to revise the draft submission based on the comments received at the meeting for the consideration of the Committee by circulation.

[Post meeting note: The HKICPA submission was submitted to the IASB on 21 March 2012 and is available at http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2012/sub-ifrs-10-transition.pdf].

12. **IASB's Post Implementation Review of IFRS 8**

The Committee noted that the IASB is going to issue a Request for Views on the post implementation review of IFRS 8 and requested the standard setters of each jurisdiction to identify potential implementation issues for the consideration of the IASB.

The Committee agreed that reference should be made to the HKEx Annual Review Report and the HKICPA Quality Assurance Annual Report. Members were also requested to pass their further comments to the Standard Setting Department.

13. **The Strategy and Governance Review by IFRS Foundation Trustees and Monitoring Board**

The Standard Setting Director reported that the IFRS Foundation Trustees and IFRS Foundation Monitoring Board have finalized their consultation reports on their respective strategy review and governance review and issued their conclusion on 9 February 2012 and briefed the Committee on some of the major issues in the reports. One particular major change was that the Monitoring Board refined the existing membership criterion regarding a strong commitment to "supporting the development of high quality international accounting standards" to call for demonstration of this commitment through domestic use of IFRSs in the jurisdiction's capital market and participation by the jurisdiction in Foundation funding.

The Committee was also advised that Mr. Ronald Arculli was appointed as IFRS Foundation Trustee on 23 February 2012. He is Hong Kong's replacement of Mr. Marvin Cheung who completed his full term of office as a IFRS Foundation Trustee in December 2011.

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14. IASB Roundtables in Malaysia and Japan

The Committee was informed that two IASB roundtables on the recently issued exposure drafts of investment entities and revenue from contracts with customers would be held in Kuala Lumpur on 27 March and 30 March respectively.

In addition, another roundtable meeting on the IASB exposure draft of revenue from contracts with customers would be held in Tokyo on 4 April. Members were encouraged to participate if they were available.

15. EFRAG and OIC Discussion Paper on accounting for business combinations under common control

The Committee noted that the European Financial Reporting Advisory Group (EFRAG) and the Organismo Italiano di Contabilità (OIC) have published Discussion Paper Accounting for Business Combinations under Common Control (DP).

Given that the issue of business combinations under common control is widespread in Asia Pacific, the Committee suggested that an AOSSG working group should be set up and co-led by Hong Kong. The Standard Setting Department was requested to propose it at the coming AOSSG meeting.

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16. Comparison between HKFRS and IFRS as at 31 December 2011

The Committee considered the updated Comparison Table prepared by the Standard Setting Department. Members were requested to provide their comments, if any, to the Standard Setting Department within one week from the meeting.

[Post meeting note: The updated Comparison Table was posted onto the HKICPA's website and is available at http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/rm/2012/comparison_%20dec11.pdf]

There being no further business, the meeting closed at 11:15 a.m.

CLEMENT CHAN
CHAIRMAN

19 March 2012