



Minutes of the 236th meeting of the Financial Reporting Standards Committee held on Tuesday, 16 May 2017 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.

Members present: Ms. Shelley So (Chairman), PricewaterhouseCoopers
Mr. Ernest Lee (Deputy Chairman), Elito Investment Limited
Ms. Kelly Kong, Jardine Matheson & Co., Limited
Ms. Eros Lau, Deloitte Touche Tohmatsu
Mr. William Lim, Foremost Advisers Ltd (on behalf of Candy Fong)
Mr. Joe Ng, Ernest & Young
Ms. Susanna Lau, Securities and Futures Commission
Mr. Steve Ong, Stock Exchange of Hong Kong Limited (Dial-in)
Mr. Simon Riley, BDO Limited
Mr. Gary Stevenson, RSM Hong Kong
Ms. Sanel Tomlinson, KPMG
Ms. Florence Wong, Financial Reporting Council

Staff in attendance: Ms. Christina Ng, Director, Standard Setting
Ms. Winnie Chan, Associate Director, Standard Setting
Ms. Kam Leung, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Ms. Eky Liu, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Ms. Daisy Xia, Manager, Standard Setting
Ms. Iris Lin, Associate Manager, Standard Setting

Apologies: Mr. James Fawls, HSBC
Mr. Gary Poon, Poon & Co.
Mr. Guochang Zhang, The University of Hong Kong

1. Minutes, work program and liaison log

The Committee approved and the Chairman signed the minutes of the 234th and 235th meetings.

The Committee noted the developments outlined in the FRSC and SSD work program and liaison log, in particular in relation to the new insurance contracts standard.

2. IASB Exposure Draft *Improvements to IFRS 8 Operating Segments*

The Committee received an update on the ED and considered SSD's preliminary views on the ED. The Committee provided SSD with direction on issues and views that the Committee would like to address in a submission to the IASB.

3. Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME Standard)

The Committee noted that SSD conducted a fact finding exercise on challenges/issues that accounting practitioners experience in applying the SME Standard, including SSD's analysis of the fact-finding.

Action

SSD

In deciding whether to proceed with conducting a Post-Implementation Review of the SME Standard, the Committee requested SSD to:

- extend its outreach to the Hong Kong Association of Banks and the Inland Revenue Department to understand whether there were any challenges/benefits as major stakeholders of entities that report in accordance with the SME Standard;
- study the differences between HKICPA's SME Standard and SME Standards that were developed and issued in other jurisdictions; and
- study the differences between the SME Standard and HKFRS/IFRS.

To the extent possible, the Committee also requested SSD to determine the demographics of Hong Kong entities that report in accordance with the SME standard.

4. **Disclosure Initiative project**

(a) IASB Discussion Paper *Disclosure Initiative – Principles of Disclosure*

The Committee noted that the IASB issued Discussion Paper (DP) *Disclosure Initiative – Principles of Disclosure*. The DP proposes seven principles of effective communication; possible approaches to improve disclosure objectives and requirements in IFRS; and principles of fair presentation and disclosure of performance measures and non-IFRS information in financial statements. The Committee also noted that SSD plans to reach out to Hong Kong stakeholders for their views on the DP and agreed with SSD's proposed project plan.

(b) Definition of Materiality

The Committee noted that the IASB plans to issue an ED that refines the definition of 'material' and the explanation accompanying the definition. The Committee agreed with SSD's proposed project plan.

(c) Materiality Practice Statement

The Committee noted that the IASB plans to issue a Practice Statement to assist management in applying the concept of materiality to general purpose financial statements that apply IFRS Standards.

The Committee will be asked to consider and decide whether the HKICPA should issue the equivalent Practice Statement in Hong Kong when the IASB issues the final Practice Statement.

5. **Property, Plant and Equipment: Proceeds before Intended Use project**

The Committee noted that the IASB plans to propose amendments to IAS 16 *Property, Plant and Equipment*. The proposals clarify the accounting for net proceeds from selling items produced while making an item of property, plant and equipment available for use.

The Committee considered that some industries in Hong Kong may be impacted and suggested SSD to perform targeted outreach when the ED is issued.

6. IFASS Meeting in Taipei

The Committee noted that the Chairman and SSD participated at the International Forum of Accounting Standard Setters (IFASS) meeting in Taipei on 2-3 March 2017. The meeting mainly discussed the implementation of the new and major standards, and the definitions of 'consistent IFRS application' and the role of standard-setters in supporting consistent IFRS application.

7. IVSC Insights Meeting

The Committee noted that the Chairman and SSD attended a roundtable meeting with members of the International Valuation Standards Council on 22 February 2017. The meeting discussed (i) the level of awareness of International Valuation Standards in Hong Kong; (ii) the level of perceived relevance and importance of valuation in Hong Kong; and (iii) the approach to engage with stakeholders to increase awareness and input to IVSC.

The Committee discussed the importance of HKICPA's relationship with IVSC in light of the use of valuations in financial reporting. The Committee encouraged SSD's ongoing dialogue with IVSC and other relevant stakeholders to ensure that there are high quality valuations in Hong Kong.

There being no further business, the meeting closed at 11:00 a.m.

SHELLEY SO
CHAIR

19 May 2017