



Policy on providing Interpretations or Rulings on financial reporting issues

The Council of the Hong Kong Institute of Certified Public Accountants (Institute) has considered requests for Interpretations and Rulings received from time to time and has determined the following policy.

Interpretations

The Financial Reporting Standards Committee (FRSC) will consider whether an issue warrants an Interpretation by considering the tests for development of an Interpretation published by the International Financial Reporting Interpretations Committee (IFRIC).

An issue will only be considered by the IFRIC when¹

- (a) The issue is widespread and has practical relevance.
- (b) The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice).
- (c) Financial reporting would be improved through the elimination of the diverse reporting methods.
- (d) The issue is a narrow implementation or application issue that can be resolved efficiently within the confines of existing IFRSs.
- (e) It is probable that the IFRIC will be able to reach a consensus view on a timely basis.
- (f) If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities.

The IFRIC will not add an item to its agenda if the IFRSs are clear, with the result that divergent interpretations are not expected in practice. The IFRIC will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the IFRIC requires to complete its due process.

Where the FRSC determines that an issue meets the above criteria, the issue will be forwarded to the IFRIC for consideration. The results of the IFRIC's initial consideration will be to either take the issue on to its agenda or to explain why the issue should not be addressed by the IFRIC. When the IFRIC declines to address the issue, the FRSC will determine the need for action. Generally, the explanation provided by the IFRIC as to why the issue has not been taken onto its agenda will identify the appropriate accounting treatment.

In the rare cases where the FRSC determines that an Interpretation needs to be developed in Hong Kong, the FRSC will develop a draft for consideration and pre-approval by the Standard-setting Oversight Board and Council before issuing it for public comment. This pre-approval is required to minimise the possibility that an

¹ This is extracted from the *IFRIC Draft Due Process Handbook*, May 2006, paragraph 28.

Interpretation developed in Hong Kong will damage the convergence of Hong Kong Financial Reporting Standards (HKFRSs) with International Financial Reporting Standards (IFRSs).

During the public consultation process, the FRSC will also seek comments from the IFRIC staff as to whether the proposal conflicts with IFRSs in any way.

Rulings

Neither Council nor the secretariat provides rulings on the appropriate treatments under HKFRSs in specific cases.

On occasions, queries or requests for rulings in respect of a specific enterprise may be, or become, part of a matter of complaint to the Institute about the conduct of a member or a member practice. Queries connected with an actual or proposed complaint should be directed to the Institute's Compliance Department².

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² The Institute's due process for handling complaints relating to members and member practices is as follows:

- a. The Institute receives written complaint supported by sufficient and reliable evidence.
- b. Where there is evidence revealing the possibility of improper acts or breaches of professional standards by a member, a member practice or a registered student, the Compliance Department of the Institute will conduct an enquiry and make recommendations to the Complaints Oversight Committee as to whether the case should be dismissed, referred to an Investigation Committee for further investigation, or referred to a Disciplinary Committee, for onward submission to Council.
- c. Council decides on the appropriate action including a referral to the Investigation Panels or the Disciplinary Panels.