

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 a matter warrants an Interpretation by considering the criteria used by the IFRS Interpretations Committee (IFRS IC) when assessing whether a standard-setting project should be added to the International Accounting Standards Board's (IASB) or the IFRS IC's work plan.

The IFRS IC adds a standard-setting project to the work plan when **all** of the following criteria are met:¹

- (a) The matter has widespread effect and has, or is expected to have, a material effect on those affected;
- (b) It is necessary to add or change requirements in IFRS Accounting Standards to improve financial reporting—that is, the principles and requirements in the Standards do not provide an adequate basis for an entity to determine the required accounting;
- (c) The matter can be resolved efficiently within the confines of the existing Standards and the *Conceptual Framework for Financial Reporting*; and
- (d) The matter is sufficiently narrow in scope that the IASB or the IFRS IC can address it in an efficient manner, but not so narrow that it is not cost-effective for the IASB or the IFRS IC and stakeholders to undertake the due process required to change a Standard.

The IFRS IC will not add a standard-setting project to the work plan if any of the above criteria is not met.

Where the FRSC determines that a matter meets the above criteria, the matter will be forwarded to the IFRS IC for consideration. The results of the IFRS IC's initial consideration will be either to add a standard-setting project to its work plan, or to explain why a standard-setting project is not added (in which case the IFRS IC publishes a tentative agenda decision). If the IFRS IC subsequently confirms its decision not to add a standard-setting project to its work plan, the FRSC will determine the need for further action. Generally, the explanation provided by the IFRS IC in the agenda decision as to why a standard-setting project has not been added to the work plan will identify the appropriate accounting treatment.

In the rare cases where the FRSC determines that an Interpretation needs to be

¹ This is extracted from the *International Accounting Standards Board and IFRS Interpretations Committee Due Process Handbook*, August 2020, paragraph 5.16.

developed in Hong Kong, the FRSC will develop a draft for consideration and seek pre-approval by the Council before issuing it for public comment. This pre-approval is required to minimise the possibility that an Interpretation developed in Hong Kong will damage the convergence of HKFRS Accounting Standards with IFRS Accounting Standards.

During the public consultation process, the FRSC will also seek comments from the IFRS IC staff as to whether the proposal conflicts with IFRS Accounting Standards in any way.

Rulings

Neither Council, the FRSC nor the staff of the HKICPA provides rulings on the appropriate treatments under HKFRS Accounting Standards in specific cases.

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