

Financial Accounting Standards Committee

Meeting summary – March 2004 (2)

The Society's Financial Accounting Standards Committee (Committee) met on 22 March 2004.

Present at the Committee's meeting were: Messrs. Paul F. Winkelmann (Chairman), Chan Lok Sang, Edward K.F. Chow, Choy Chung-foo (represented by Mr. Vingle Yuen), Raphael Ding, Tommy Fung, Philip Hilliard, Andrew Huke, Tom Wu, Ms. Susanna Lau, Mrs. Catherine Morley, Mr. Simon Riley (HKSA Technical Director, Financial Reporting) and Ms. Elsa Ho (HKSA Assistant Director, Financial Reporting).

The following items were on the Committee's agenda:

- ✓ Proposed HKFRS 2 *Share-based Payment* (converged with IFRS 2)
- ✓ Financial Instruments – Proposed HKAS 32 & HKAS 39 based on the recently revised IAS 32 & IAS 39
- ✓ ED/Convergence
- ✓ Comment letter on the IASCF Trustees' Constitution review
- ✓ Accounting Guideline on Unit Trusts
- ✓ Comment letter on IFRIC D3 and D4

Proposed HKFRS 2 *Share-based Payment* (converged with IFRS 2)

The Committee considered the following that are based on the equivalent IASB documents:

- ✓ Proposed HKFRS 2
- ✓ Guidance on Implementing HKFRS 2
- ✓ Basis for Conclusion on HKFRS 2

The Committee agreed to recommend to Council that the above documents be issued as final to become effective for annual periods beginning on or after 1 January 2005 with earlier application encouraged.

Financial Instruments – Proposed HKAS 32 & HKAS 39 based on the recently revised IAS 32 & IAS 39

The Committee considered proposed HKAS 32 and HKAS 39 that are based on the recently revised IAS 32 and IAS 39. The Committee agreed that these HKAS should be applied prospectively. Subject to a redraft of the transitional provisions paragraphs to reflect this decision, the Committee agreed to recommend proposed HKAS 32 and HKAS 39 be issued as final to become effective for annual periods beginning on or after 1 January 2005.

In approving these Standards, however, the Committee directed the Secretariat to keep in view the impending finalisation of the IASB ED *Proposed Amendments to IAS 39 – Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk* and the issues currently circulating in Europe with regard to the EU's adoption of IAS 32 and IAS 39.

ED/Convergence

The Committee considered a draft Invitation to Comment on an Exposure Draft of the Proposed Convergence of Hong Kong Financial Reporting Standards with International Financial Reporting Standards (ED/Convergence). The ED proposes convergence of the following HKAS's with their equivalent IAS's:

- ✓ HKAS 17 *Leases*
- ✓ HKAS 23 *Borrowing Costs*
- ✓ HKAS 24 *Related Party Disclosures*
- ✓ HKAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*
- ✓ HKAS 31 *Interests in Joint Ventures*
- ✓ HKAS 40 *Investment Property*
- ✓ HKAS-Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*
- ✓ HKAS-Int 15 *Operating Leases – Incentives*
- ✓ HKAS-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*

In considering the ED/Convergence, the Committee agreed to propose inclusion of the present SSAP 13 requirement for an independent valuer in HKAS 40 and to seek specific comments on this proposal.

Comment letter on the IASCF Trustees' Constitution review

The Committee approved a comment letter on the IASCF Trustees' Constitution review and agreed to make it available on the HKSA website at <http://www.hksa.org.hk/professionaltechnical/accounting/submissions/>.

Accounting Guideline on Unit Trusts

The Committee received a second draft ED of a proposed Accounting Guideline on Unit Trusts that was revised in the light of comments received from the working group established to develop the Guideline. The Committee had some further comments on the draft with regard to the treatment of issue costs and the treatment of redemption or allotment of units. These comments will be referred back to the working group for consideration.

Comment letter on IFRIC D3 and D4

The Committee approved a comment letter on IFRIC's Draft Interpretations D3 *Determining whether an Arrangement contains a Lease* and D4 *Decommissioning, Restoration and Environmental Rehabilitation Funds* that was endorsed by the Urgent Issues and Interpretations Sub-Committee. The Committee agreed to make the comment letter available on the HKSA website at <http://www.hksa.org.hk/professionaltechnical/accounting/submissions/>.

HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The Committee noted that HKAS 8 would require disclosure of the impact of a new Standard that has been issued but is not yet effective on the entity's financial statements in the period of initial application. The Chairman raised an issue of whether this new requirement would be too onerous, bearing in mind the numbers of HKAS that would be issued in the recent months for implementation on or after 1 January 2005. The Committee considered that, given that the new requirement would only become effective on or after 1 January 2005, it would not be mandatory for periods that begin prior to 1 January 2005.

Date of Next Meeting

The Committee will next meet on 12 May 2004.

This meeting summary is provided for the information and convenience of those who wish to follow the Committee's deliberations. Except where indicated otherwise, all conclusions reported are tentative and may be changed at future meetings.

The IASB publishes summaries of its meetings and projects. These can be found on the IASB's website at: <http://www.iasb.org>.

The Committee welcomes comments on its technical agenda. Please e-mail us at: commentletters@hksa.org.hk.