



Minutes of the 181st meeting of the Financial Reporting Standards Committee held on Tuesday, 4 May 2010 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) – via teleconference
Mr. Stephen Chan
Mr. Colin Chau
Mr. Raphael Ding
Mr. Ian Farrar
Mr. Paul Hebditch
Miss Fanny Hsiang
Ms. Caron Hughes
Ms. Kelly Kong
Ms. Susanna Lau
Mr. Allen Leung
Mr. William Lim
Mr. Paul Phenix

In attendance: Mr. Steve Ong, Director, Standard Setting
Ms. Winnie Chan, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

Apology for absence was received from Mr. James Fawls.

	<u>Action</u>
<p>1. <u>Minutes of the 180th meeting</u></p> <p>The minutes of the 180th meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2. <u>Accounting Application Issues</u></p> <p>The Committee discussed two accounting application issues raised by members related to classification of bank loans and classification of the conversion option of certain convertible bonds.</p> <p>For the issue related to bank loans, certain members offered to look for more information on whether the matter is also prevailing in other countries. The Committee proposed that a meeting should be set up with the Hong Kong Association of Banks.</p> <p>In respect of the issue on convertible bonds, it was agreed that the Standard Setting Director would liaise with the relevant parties and report this back to the Committee.</p>	SS Dept
<p>3. <u>HKFRS for Private Entities</u></p> <p>The Committee considered the first draft of the HKFRS for Private Entities illustrative financial statements prepared by the Standard Setting Department and made improvement changes. It was agreed that examples of directors' report, auditor's report and reference to disclosure requirements that are set out in the Tenth Schedule of the Companies Ordinance should be included in the illustrative financial statements. The Chairman requested</p>	SS Dept

Committee members to review the draft illustrative financial statements and provide feedback to the Standard Setting Department.

4. Report on the National Standard Setters Meeting (14 – 15 April)

The Chairman and the Standard Setting Director attended the National Standard Setters Meeting held on 14 – 15 April in Seoul.

The Committee received a report prepared by the Chairman. The Chairman briefed the Committee on the progress of various projects that had been reported during the meeting such as projects on financial crisis, conceptual framework and common control transactions.

5. Report on the IASB Tokyo Outreach Meeting on IAS 37 Exposure Draft

The Committee thanked Ms. Caron Hughes and Mrs. Catherine Morley for representing the Institute at the IASB Tokyo outreach meeting on 26 April. Ms. Hughes attended the morning session in Tokyo and Mrs. Morley, together with the Standard Setting Director, participated in the afternoon session through teleconference. Ms. Hughes summarized the major points discussed at the meeting as follows:

- Participants at the roundtables generally did not support the IASB's proposals in the IAS 37 exposure draft.
- The proposed probability weighted approach was being questioned on whether it can produce a more consistent and reliable estimate as than under the current approach.
- The litigation issue was discussed at length. It was not clear under the new proposals how to decide when a "present" obligation arose in the case of a lawsuit and what kind of future legal costs should be included in the measurement of a liability.
- In respect of the proposal of including a profit margin on the obligation settled by services which an entity will itself carry out, generally there was push back at this notion, on the basis that it was inconsistent with the stated objective of measuring the provisions at present value of resources required to fulfill it.

6. IASB ED of Measurement of Liabilities in IAS 37

The Committee considered the revised draft submission prepared by the Standard Setting Department, which has included additional comments observed at the IASB Tokyo outreach meeting. Members of the Committee were requested to provide comments on the draft to the Standard Setting Department.

7. Consideration of IASB Discussion Documents

The Committee agreed that the Institute should prepare a submission on the following IASB consultation documents:

- (i) Exposure Draft of Conceptual Framework for Financial Reporting: The Reporting Entity; and
- (ii) Discussion Paper on Extractive Activities

A working group would be set up for item (ii) to facilitate the preparation of the Institute's submission. It was agreed that since the subject would likely be more relevant for companies with subsidiaries in China, the Standard Setting Department was asked to consult the China Advisory Group of the Institute on this Discussion Paper.

8. Annual Accounting Update 2010

The Committee decided that the Annual Accounting Update for 2010 would be held on 6 November 2010 and the Chairman agreed to chair the conference.

The Committee generally agreed with the proposed topics by the Standard Setting Department and agreed on the nominated speakers. Suggested topics included:

- HKFRS 9 *Financial Instruments*
- Accounting Bulletin 4 – Guidance on the Determination of Realized Profits and Losses in the Context of Distributions under the HK Companies Ordinance
- HKFRS for Private Entities
- Highlights on New and Amended Standards that are effective in 2010

Members were requested to pass their further comments on the draft programme to the Standard Setting Department.

9. Visit of Mr. Robert Garnett (IASB Member) on 22 July 2010

The Committee was informed that Mr. Robert Garnett, IASB Member will be visiting the Institute on 22 July 2010. A forum is proposed to be held on that day at the Auditorium of the HKICPA and a lunch and an informal meeting with Mr. Garnett will be arranged after the forum. The Standard Setting Department was requested to draft a programme for the Committee's consideration.

There being no further business, the meeting closed at 10:00 a.m.

CLEMENT CHAN
CHAIRMAN

7 May 2010