



Minutes of the 174th meeting of the Financial Reporting Standards Committee held on Monday, 10 August 2009 at 2:30 p.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. Paul F. Winkelmann (Chairman)
Mr. Clement Chan (Deputy Chairman)
Mr. Colin Chau
Mr. Ian Farrar
Mr. Wilson Fung
Mr. Paul Hebditch
Ms. Susanna Lau
Mr. William Lim
Mrs. Catherine Morley
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 were received from Miss Fanny Hsiang, Ms. Caron Hughes and Mrs. Lesley Wong.

	<u>Action</u>
<p>1. <u>Minutes of the 173rd meeting</u></p> <p>The minutes of the 173rd meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2. <u>Draft Paper on IFRS for SME</u></p> <p>The Committee considered the first working draft of a Paper and made suggestions on changes.</p> <p>The Standard Setting Department will work with the Chairman on the suggested changes for the Committee's further consideration.</p> <p>The Committee recommends that the IFRS for SME be introduced as a reporting option for eligible private companies to provide immediate relief to such private companies from applying full HKFRSs. Eligible private companies can still decide to adopt full HKFRSs if they wish to.</p> <p>The Committee will also consult on whether the name should be changed to differentiate this framework from our existing SME framework, which will be retained.</p>	SS Dept
<p>3. <u>Guidance on the application of Amendments to IAS 17 Leases in the Annual Improvements to IFRS 2009</u></p> <p>The Committee considered the draft technical Q&A covering issues that concern the classification of interests in leasehold land situated in Hong Kong under the amendments. The Committee generally preferred a more principle-based guidance with indicative criteria that could lead to leasehold</p>	Catherine Morley

land being classified as a finance lease in Hong Kong, for example, if the present value of the minimum lease payments on a land lease amounts to substantially all of the fair value of the land (as if it is a freehold land in Hong Kong) and other suitable indicators. The Committee requested that the Q&A be re-drafted along these lines for consideration at the next meeting.

4. **IAS 39 Replacement Project**

(a) Small Group Meeting with IASB staff – 2 September 2009

SS Dept

The IASB proposes to hold two private small group meetings in Hong Kong to hear constituents' views on its Exposure Draft of IAS 39 *Classification and Measurement*. Committee members were asked to identify interested parties coming from both within and outside the financial services sector who could participate in the discussion from the perspective of preparers of financial statements.

(b) IASB Tokyo Roundtable Meeting – 3 September 2009

The IASB will hold round table discussions on their proposals for classification and measurement of financial instruments. The Committee agreed to nominate Committee member, Mr. Ian Farrar, as the Institute's representative to attend the roundtable meeting.

5. **Amendments to HKFRS 1 – Additional Exemptions for First-time Adopters**

The Committee approved the issue of the Hong Kong equivalent of the amendments to IFRS 1 (July 2009) with the same effective date without modification.

SS Dept

6. **Submissions on various IASB Discussion Documents**

The Committee ratified the submissions on various IASB Discussion Documents that were approved by the Committee by circulation:

(i) Discussion Paper on *Preliminary Views on Leases*

<http://www.hkicpa.org.hk/professionaltechnical/accounting/submissions/2009/Sub-DP-Leases.pdf>

(ii) Exposure Draft on *Income Tax*

<http://www.hkicpa.org.hk/professionaltechnical/accounting/submissions/2009/Sub-IncomeTax.pdf>

(iii) Exposure Draft on *Proposed Amendments to IAS 39 and IFRS 7 - Derecognition*

<http://www.hkicpa.org.hk/professionaltechnical/accounting/submissions/2009/Sub-Derecognition.pdf>

7. **Major Financial Reporting Activities in second half of 2009**

(a) Financial Reporting Forum - 15 October 2009

The Committee noted that Mr. Wayne Upton, IASB Director of International Activities, will be in Hong Kong on 15-16 October and the Institute will be holding a Financial Reporting Forum on 15 October. The Committee agreed that the Forum will be focused on major developments in IFRS projects, in particular the IAS 39 Replacement projects and also the update on the deemed cost issue in PRC.

(b) Annual Accounting Update – 24 October 2009

The Committee considered the revised draft programme for the Conference and suggested to place more emphasis on discussions of recent effective standards that are relevant to SMPs and SMEs and also the IASB IFRS for SME.

8. **IASB Exposure Draft of Proposed Amendments to IAS 32 – Classification of Rights Issues**

The Committee noted that the IASB has issued an urgent Exposure Draft of Proposed Amendments to IAS 32, which is open for comment for 30 days (due on 7 September 2009).

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Mr. Ian Farrar and Ms. Catherine Morley (and subsequently Ms. Caron Hughes) have indicated their concerns on the amendments and were asked to liaise to produce a draft response for consideration by the Committee.

9. **Disclosure of the Accumulated Benefit Obligation (ABO) for Post-employment Benefits**

The Committee noted that the IASB Post-employment Benefit Project Team has sent a request to the Institute for our preliminary views on its proposals of requiring the disclosure of ABO in the notes of the forthcoming exposure draft of proposed amendments to IAS 19. The Committee noted that defined benefit plans are not common in Hong Kong and therefore our views may not be as representative as those jurisdictions with more defined benefit plans. Committee members were requested to provide their comments, if any, to the Director of the Standard Setting Department.

Committee

There being no further business, the meeting closed at 4:10 p.m.

PAUL F. WINKELMANN
CHAIRMAN

13 August 2009