

**Financial Reporting Standards Committee**  
**Meeting summary – April 2006**

The Institute's Financial Reporting Standards Committee (Committee) met on 12 April 2006.

Members of the Committee present were: Messrs. Paul F. Winkelmann (Chairman), Wilson Fung (Deputy Chairman), Chan Lok Sang, Colin Chau, Edward K.F. Chow, Tommy Fung, Li Kwok Tso, Saleem Razvi, Tommy Tam, Stephen Taylor, Ms. Mabel Cheung, Ms. Susanna Lau, Ms. Fanny Li and Ms. Grace Ng.

Secretariat staff present were: Mrs. Patricia McBride (Director, Standard Setting), Ms. Elsa Ho (Assistant Director, Standard Setting), Ms. Elaine Chan (Assistant Director, Standard Setting) and Mr. Steve Ong (Assistant Director, Standard Setting).

The Committee discussed the following items:

1. HK(IFRIC) Interpretation 8 Scope of HKFRS 2
2. IASB Discussion Paper on Management Commentary
3. IASB Statement of Best Practice: Working Relationships between the IASB and other Accounting Standard-Setters
4. Withdrawals of SSAPs, SSAP-Interpretations and Accounting Guidelines
5. Revision of Hong Kong Interpretations following the Implementation of HKASs
6. The Proposal of Education Manpower Bureau to reduce the complexity of school accounts
7. Industry Consultation on Draft Accounting Manual for Television Programme Service Licences
8. Financial Reporting Standards Forum to be held on 3 June 2006
9. Accounting for a share-based payment by the parent

**1. HK(IFRIC) Interpretation 8 Scope of HKFRS 2**

The Committee received a copy of proposed HK(IFRIC) Interpretation 8 *Scope of HKFRS 2*, which is converged with its international equivalent, and agreed to recommend Council to issue it as a final Interpretation with effect for annual accounting periods beginning on or after 1 May 2006 (with earlier application encouraged).

*(Post meeting note: Council approved the issue of proposed HK(IFRIC) Interpretation 8 as a final Interpretation at its last meeting. HK(IFRIC) Interpretation 8 has subsequently been issued as part of Update 29)*

**2. IASB Discussion Paper on Management Commentary**

The Committee received and noted the comments from the Professional Accountants in Business (PAIB) Committee and the Corporate Governance Committee on the IASB Discussion Paper on Management Commentary. The Committee had some general discussion about the proposals under the Discussion Paper and agreed that the submission from the HKICPA should be drafted along the following lines:

- The Committee agreed that there is a need for a project on management commentary.
- However, the project should not be a priority for the IASB given its limited resources and the IASB's priority should be on dealing with issues and problems on the application of HKFRSs to general purpose financial statements.

- The project could instead be taken up by a body such as IFAC.
- Management Commentary should not be placed within the financial statements and should not be subjected to audit.

*(Post meeting note: Council approved the proposed HKICPA submission at the last meeting. The submission is now available on the HKICPA website at <http://www.hkicpa.org.hk/professionaltechnical/accounting/submissions/submissionsmtg.pdf>).*

### **3. IASB Statement of Best Practice: Working Relationships between the IASB and other Accounting Standard-Setters**

The Committee received and noted the new “Statement of Best Practice: Working Relationships between the IASB and other Accounting Standard-setters” issued by the IASB.

The Committee was generally supportive of the range of activities identified for national accounting standard-setters to undertake in the interests of facilitating the convergence with IFRSs issued by the IASB and recognised that most of these activities are already being carried out by the Institute. The Committee however raised concerns about undertaking the activities discussed for the standards that are currently under development by the IASB for small and medium-sized entities but determined to consider this in greater detail when the draft standards are issued.

### **4. Withdrawals of SSAPs, SSAP-Interpretations and Accounting Guidelines**

The Committee agreed to remove the following SSAPs, SSAP-Interpretations and Accounting Guidelines, which had been superseded by HKASs or HKFRSs, from the Members’ Handbook:

<b>Doc. No</b>	<b>Doc. Name</b>
<b>STATEMENTS OF STANDARD ACCOUNTING PRACTICE (SSAP)</b>	
SSAP 1	Presentation of financial statements
SSAP 2	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 5	Earnings per share
SSAP 9	Events after the balance sheet date
SSAP 10	Accounting for investments in associates
SSAP 11	Foreign currency translation
SSAP 12	Income taxes
SSAP 13	Accounting for investment properties
SSAP 14	Leases
SSAP 15	Cash flow statements
SSAP 17	Property, plant and equipment
SSAP 18	Revenue
SSAP 19	Borrowing costs
SSAP 20	Related party disclosures
SSAP 21	Accounting for interests in joint ventures
SSAP 22	Inventories
SSAP 23	Construction contracts
SSAP 24	Accounting for investments in securities
SSAP 25	Interim financial reporting
SSAP 26	Segment reporting
SSAP 27	Accounting for group reconstructions
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations

SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits
SSAP 35	Accounting for government grants and disclosure of government assistance
SSAP 36	Agriculture
Interpretation 1	Costs of modifying existing software
Interpretation 5	Property, plant and equipment - Compensation for the impairment or loss of items
Interpretation 8	Presentation of financial statements - Current assets: classification of restricted and appropriated cash balances
Interpretation 10	Earnings per share - Financial instruments and other contracts that may be settled in shares
Interpretation 12	Business combinations - Subsequent adjustment of fair values and goodwill initially reported
Interpretation 13	Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves
Interpretation 14	Evaluating the substance of transactions in the legal form of a lease
Interpretation 15	Business combinations - "Date of exchange" and fair value of equity instruments
Interpretation 16	Disclosure - Service concession arrangements
Interpretation 17	Revenue - Barter transactions involving advertising services
Interpretation 18	Consolidation and equity method - Potential voting rights and allocation of ownership interests
Interpretation 19	Intangible Assets - Web Site Costs
Interpretation 20	Income taxes - Recovery of revalued non-depreciable assets
Interpretation 21	Income taxes - Changes in the tax status of an enterprise or its shareholders
<b>INDUSTRY ACCOUNTING GUIDELINES (IAG)</b>	
IAG 1	Accounting for general insurance business
IAG 2	Financial statements of retirement schemes

The Committee also agreed that, when removing the above documents from the Members' Handbook, a note should be included in the covering explanatory notes drawing attention to the fact that an entity which has not yet reported for any periods prior to 1 January 2005 can continue to use those Standards as they are applicable for earlier periods and such preparers need not early adopt the revised Standards, unless they wish. The Committee also noted that the removed documents would be posted onto the archived system in the e-Members' Handbook for reference.

*(Post meeting note: The above documents have been removed from the Members' Handbook as part of Update 29).*

## **5. Revision of Hong Kong Interpretations following the Implementation of HKASs**

The Committee agreed to remove Hong Kong Interpretation 2 *The Appropriate Accounting Policies for Hotel Properties* from the Members' Handbook as the issue addressed therein is dealt by HKAS 40 *Investment Property*.

In respect of other Hong Kong home-grown Interpretations (ie. HK Interpretations 1, 3 and 4), the Committee agreed that they should be updated by changing the SSAP cross references. However, a member pointed out that Hong Kong Interpretation 1 *The Appropriate Accounting Policies for Infrastructure Facilities* might need some re-write beyond merely changing the cross referencing. The secretariat was requested to look into this and provide a recommendation to the Committee for consideration at its next meeting. Nevertheless, the Committee determined, in revising the Hong Kong Interpretations, there is no need to change the effective date of those Interpretations in order to match the effective date of the relevant HKASs but an explanation of the changes would have to be included in the effective date section for the avoidance of doubt.

**6. The Proposal of Education Manpower Bureau to reduce the complexity of school accounts**

The Committee noted the concern of the Education Manpower Bureau (EMB) that implementing HKFRSs would increase compliance costs and complexity to the school accounts without bringing any additional benefits.

The Committee generally was sympathetic to the concerns of the EMB and, as far as financial reporting is concerned, did not see any problem in the EMB developing its own reporting framework and standards for compliance by schools since those accounts are special purpose rather than general purpose accounts. The Committee understood that related auditing issues are to be considered by the Auditing Assurance and Standards Committee at its next meeting.

**7. Industry Consultation on Draft Accounting Manual for Television Programme Service Licences**

The Committee noted the comments received on the Draft Accounting Manual for Television Programme Service Licences. After noting the purpose of the Draft Accounting Manual, the Committee endorsed the comments to be included in the Institute's submission on the Draft Accounting Manual to the Broadcasting Authority.

**8. Financial Reporting Standards Forum to be held on 3 June 2006**

The Chairman explained to the Committee the proposed format of the forum which would combine presentations with an opportunity for participants to express their views and share their experiences in applying the new HKFRSs. The target audience of the forum would include CFOs, CEOs, regulators, auditors and their clients and others with an interest in financial reporting. The Committee was generally supportive of the proposed format of the forum.

**9. Accounting for a share-based payment by the parent**

The Committee considered a question as to whether the proposed treatment under IFRIC D17 *IFRS 2 – Group and Treasury Share Transactions* would have to be adopted in accounting for a share based payment by the parent as the conclusion reached in that Interpretation only clarifies the provision in IFRS 2. The Committee noted that the practices were not consistent at present even though the proposed treatment under IFRIC D17 might be used. The Committee did not consider it appropriate to enforce the proposed treatment under IFRIC D17 until it is finalised.

## Date of Next Meeting

The Committee agreed to hold its next meeting on 10 May 2006.

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@hkiipa.org.hk](mailto:commentletters@hkiipa.org.hk).

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**Meeting Summaries are provided for the information and convenience of those who wish to follow the Committee's deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this Meeting Summary, or for any errors or omissions in it.**