



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

The Institute's Financial Reporting Standards Committee (Committee) met on 10 May 2006.

Members of the Committee present were: Messrs. Paul F. Winkelmann (Chairman), Raphael Ding (Deputy Chairman), Wilson Fung (Deputy Chairman), Chan Lok Sang, Colin Chau, Mabel Cheung, Edward Chow, Tommy Fung, Paul Hebditch, Susanna Lau, Li Kwok Tso, Fanny Li, Lin Zhijun, Catherine Morley, Saleem Razvi and Stephen Taylor.

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. IASB Discussion Paper on Measurement Bases for Financial Reporting – Measurement on Initial Recognition
2. IASB ED 8 *Operating Segments*
3. Proposed consequential amendments to HK Interpretations
4. Examples in HKAS 12 *Income Taxes*

1. **IASB Discussion Paper on Measurement Bases for Financial Reporting – Measurement on Initial Recognition**

The Committee received a copy of the IASB Discussion Paper on Measurement Bases for Financial Reporting – Measurement on Initial Recognition and noted that the consultation period of the Committee's invitation to comment on the IASB Discussion Paper had ended with no responses.

After consulting the members, the Committee agreed not to respond directly to the questions raised in the Discussion Paper but draft the submission along the following lines:

- The IASB should explain how this discussion paper would complement its work going forward, in particular relating to its fair value measurement and conceptual framework projects.
- The discussion paper is premature. It would not be appropriate to consider measurement on initial recognition in isolation from the consideration of "when" and "what" should be recognised and the wider issue of how an asset or a liability should be measured at any later stage.
- The use of fair value as proposed in the discussion paper would have wider implications, in particular for those related parties transactions and those implications have not been addressed in the discussion paper.

The Committee directed the secretariat to prepare a draft submission for circulation to the Committee for comment.

*(Post meeting note: The Institute's submission prepared by the secretariat was endorsed by the Committee and approved by Council by circulation. The Institute's submission was forwarded to the IASB on 24 May 2006.)*

## 2. **IASB ED 8 Operating Segments**

The Committee received a copy of the IASB ED 8 *Operating Segment* and noted that the consultation period of the Committee's invitation to comment on ED 8 had ended with no responses.

Members expressed concerns about using the management approach to segment reporting. In particular, it might lead to disclosure of segment amounts that are not measured in accordance with the accounting policies used in preparing the entity's financial statements. They considered that using the management approach would confuse users of financial statements, hinder the comparability between different entities' financial statements and create difficulties for auditors and regulators in checking the segment information disclosed. However, a member had a dissenting view of the above as he considered that, as long as an appropriate reconciliation is included in the financial statements, the management approach to segment reporting should be accepted.

After deliberation, the Committee directed the secretariat to prepare a draft submission objecting to the use of management approach to segment reporting and to circulate it to the Committee for further comment.

*(Post meeting note: The Institute's submission prepared by the secretariat was endorsed by the Committee and approved by Council by circulation. The Institute's submission was forwarded to the IASB on 24 May 2006.)*

## 3. **Proposed consequential amendments to HK Interpretations**

The Committee received and considered copies of the proposed consequential amendments to the following HK Interpretations as a result of the recent withdrawal of SSAPs:

- HK Interpretation 1 *The Appropriate Accounting Policies for Infrastructure Facilities*
- HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*
- HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

The Committee agreed to recommend Council to adopt the proposed amendments in the relevant HK Interpretations.

## 4. **Examples in HKAS 12 Income Taxes**

The Committee was requested to consider whether there is a need to replace the Examples in HKAS 12 *Income Taxes* with the examples in IAS 12 so as to make HKAS 12 verbatim with IAS 12 under the Institute's convergence policy.

Since IAS 12 is currently under review by the IASB, the Committee decided to wait for the next revision to IAS 12 by the IASB and not to make any changes to HKAS 12 for the time being.

### **Date of Next Meeting**

The Committee agreed to hold its next meeting on 14 June 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.**