



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

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

Members of the Committee present were: Messrs. Paul F. Winkelmann (Chairman), Raphael Ding (Deputy Chairman), Wilson Fung (Deputy Chairman), Colin Chau, Edward Chow, Tommy Fung, Paul Hebditch, Susanna Lau, Fanny Li, Li Kwok Tso, Catherine Morley (Rep. By Ms. Wincey Lam), Tommy Tam and Stephanie Zurmuhlen.

Secretariat staff present were: Patricia McBride, Elsa Ho, Elaine Chan and Steve Ong.

The Committee discussed the following items:

1. Proposed revised Preface to HKFRSs
2. Comparison list between HKFRSs and IFRSs
3. Exposure Draft of proposed Amendments to IAS 1 *Presentation of Financial Statements*
4. Report from the SME Financial Reporting Framework Sub-Committee

**1. Proposed revised Preface to HKFRSs**

The Committee considered a revised Preface to HKFRSs which showed the changes proposed by the secretariat to take account of the completion of Phase I of the convergence programme, in particular the proposed changes to the standard setting due process. The Committee agreed certain minor wording changes and requested the secretariat to come up with a revised draft that reflects those changes and circulate the draft for endorsement by the Committee before sending it to the Standard-setting Steering Board for consideration.

**2. Comparison list between HKFRSs and IFRSs**

The Committee received a draft comparison list summarising all the differences between HKFRSs and IFRSs and approved it to be posted on the HKICPA website.

**3. Exposure Draft of proposed Amendments to IAS 1 *Presentation of Financial Statements***

The Committee received the submissions from two international practices and an individual member on the Exposure Draft of proposed Amendments to IAS 1 *Presentation of Financial Statements*. After reviewing the submissions received and soliciting the view of members, the Committee agreed to prepare a submission raising an objection to proceeding with the ED as the issues addressed in the ED are not considered to be sufficiently important to warrant amending IAS 1 before the outcomes of the major revisions under Segment B of the IASB's Financial Statement Presentation project are known.

*(Post meeting note: A submission was prepared, approved by the Committee and Council and sent to the IASB on 28 July 2006).*

**4. Report from the SME Financial Reporting Framework Sub-Committee**

The Committee received the draft meeting notes of the last meeting of the SME Financial Reporting Sub-Committee (SC).

In response to the SC's requests for actions, the Committee:

- noted and expressed support over the view of the SC that only a “two tier” system (ie. HKFRS and one SME Standard) should be adopted in Hong Kong;
- noted that the SC had indicated a preference for using the existing SME Framework and Standard rather than the IFRS for SME in the “two tier” system but did not form a view on this. The Committee however requested the secretariat to report the finding of whether the Institute is obliged to adopt the IFRS for SME under the relevant IFAC Statement of Membership Obligations;
- endorsed the following consolidated principles proposed by the SC in drafting the guidance for SME groups:
  - Acquisition method should be used;
  - The acquirer, at the date of acquisition, recognises only the acquiree's assets and liabilities that meet the recognition criteria under the SME-FRF and SME-FRS;
  - The acquirer measures those assets and liabilities that meet the recognition criteria under the SME-FRF and SME-FRS at their fair value at the date of acquisition; and
  - Any difference between the acquisition consideration and the acquiree's assets and liabilities that meet the recognition criteria under the SME-FRF and SME-FRS measured at their fair value should be treated as goodwill;

but asked the SC to rethink the following proposals relating to goodwill:

- Any goodwill (both positive and negative) should be eliminated against reserve on the date of acquisition; and
  - The eliminated goodwill should be retained in reserve until the related acquiree is disposed or otherwise realised, in which case, the goodwill should be recycled back to the profit and loss; and
- approved the posting of the new Q & A on the SME Framework and Standard endorsed by the SC on the HKICPA website.

#### Date of Next Meeting

The Committee agreed to hold its next meeting on 13 September 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.

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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.**