



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

The Institute's Financial Reporting Standards Committee (Committee) met on 11 October 2006.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Raphael Ding (Deputy Chairman), Wilson Fung (Deputy Chairman), Colin Chau, Edward Chow, James Fawls, Paul Hedbitch, Susanna Lau, Fanny Li, Li Kwok Tso, Catherine Morley, Tommy Tam, Tsang Kwok Yuk and Stephanie Zurmuhlen.

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

The Committee discussed the following items:

1. IASB Exposure Draft of Proposed Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - *Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation*
2. IFRIC Draft Interpretation D19 - *IAS 19 The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*
3. IFRIC Draft Interpretation D20 *Customer Loyalty Programmes*
4. IASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information*
5. Treatment of a financial guarantee granted by the parent on a subsidiary's bank borrowings

1. **IASB Exposure Draft of Proposed Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - *Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation***

The Committee noted that the secretariat did not receive any comment letters in response to the HK invitation to comment on the IASB Exposure Draft of Proposed Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – *Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation*.

The Committee considered a draft submission on the IASB Exposure Draft prepared by the secretariat. The Committee generally agreed with the proposed view expressed in the draft submission that the proposed changes are rule-based and thus might result in divergence rather than comparability between entities. However, the Committee agreed to expand the draft submission by including a recommendation that the IASB should tackle the issue by establishing principles for identifying equity and using those principles to deal with the issue under review.

Subject to the above, the Committee approved the draft submission to be presented to Council for approval.

*[Post meeting note: Council approved the submission, which was then sent to the IASB on 26 October 2006 and posted onto the Institute's website.]*

2. **IFRIC Draft Interpretation D19 - IAS 19 The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements**

The Committee noted that the secretariat did not receive any comment letters in response to the HK invitation to comment on IFRIC Draft Interpretation D19 – *IAS 19 The Asset Ceiling Availability of Economic Benefits and Minimum Funding Requirements*.

The Committee had a debate as to whether a submission should be made on this draft interpretation in the light of the fact that the issue addressed in this draft interpretation is, to a large extent, not relevant to Hong Kong entities.

The Committee agreed that a submission should be made asking the IASB to clarify the meaning of minimum funding requirements. The redrafted submission would be then circulated to the Committee for consideration before passing it on to Council for approval.

*[Post meeting note: Council approved the submission, which was then sent to the IASB on 10 November 2006 and posted onto the Institute's website.]*

3. **IFRIC Draft Interpretation D20 Customer Loyalty Programmes**

The Committee noted that the secretariat did not receive any comment letters in response to the HK invitation to comment on IFRIC Draft Interpretation D20 *Customer Loyalty Programmes*.

The Committee considered a draft submission prepared by the secretariat. The Committee had a debate on the issue addressed in the draft interpretation. After deliberation, the Committee agreed that the draft submission should be rewritten along the lines that request the IASB to establish principles for distinguishing those customer loyalty programmes that involve award credits which are in substance part of a multiple sales transaction and those that are marketing tools.

The Committee agreed that a revised draft should be circulated to members for consideration.

4. **IASB Discussion Paper Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information**

Members were invited to give their comments on the IASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information*, in particular on the issue of whether an assessment of the stewardship of management should be an objective of financial reporting.

Members had some preliminary discussions on the Discussion Paper and were asked to provide comments to the secretariat for further discussion at the next meeting. The Committee agreed that a draft submission should be prepared based on the comments received and submitted to the Committee for consideration at its next meeting.

5. **Treatment of a financial guarantee granted by the parent on a subsidiary's bank borrowings**

A question was raised as to how the fair value of a guarantee that is granted by the parent on a subsidiary's bank borrowings should be determined under HKAS 39. The Committee noted that the difficulties on this rest with the fact that, in practice, a bank would not usually grant the borrowings unless a guarantee from the parent is received. The Committee also

noted that there are questions as to where the “debit” arising from recognising the guarantee liability should go. The Committee agreed to ask certain members to write an article on this issue for the Institute’s Journal *A Plus*.

#### Date of Next Meeting

The Committee agreed to hold its next meeting on 8 November 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@hkicpa.org.hk](mailto:commentletters@hkicpa.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.**