



Financial Reporting Standards Committee
Meeting summary – November 2007

The Institute's Financial Reporting Standards Committee (Committee) met on 14 November 2007.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Clement Chan (Deputy Chairman), Raphael Ding (Deputy Chairman), Wilson Fung, Li Kwok Tso, Catherine Morley, Estella Ng and Eymon Tsang.

Observer present was: PM Kam (Institute's representative on IASB Standards Advisory Council)

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

The Committee discussed the following items:

1. IASB Standards Advisory Council – progress report
2. IASB Exposure Draft of a proposed *IFRS for SMEs*
3. IASB Discussion Paper *Preliminary Views on Insurance Contracts*
4. IASB Exposure Draft of proposed amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting*
5. IASB Exposure Draft ED 9 *Joint Arrangements*
6. Proposed Amendments to HKFRS 3 *Business Combinations* and HKAS 27 *Consolidated and Separate Financial Statements*
7. HKICPA/HKEx Joint Forum
8. Announced change in HK Profits Tax Rate in the Policy Address
9. International Working Group on Lease Accounting

1. IASB Standards Advisory Council – progress report

Mr. PM Kam, the Institute's representative attended the IASB Standards Advisory Council meeting held on 8 - 9 November 2007. He provided a brief verbal report on the items discussed during the meeting including:

- Update on IASC Foundation Trustees;
- Discussion of IASB work programme and convergence;
- Financial statement presentation;
- Agenda proposals;
- Fair value measurement;
- Revenue recognition; and
- Insurance.

Mr. Kam also briefly ran through the other major projects discussed during the meeting including business combinations, consolidation, financial statement presentation, post-retirement benefits, leases, de-recognition, financial instruments, intangible assets and liabilities and equity.

The Committee was informed that the IASB Board presently has three main strategic objectives:

- Encouraging more countries to switch to IFRSs;
- Convergence of IFRSs and US GAAP; and
- Development of a standard for SMEs.

2. IASB Exposure Draft of a proposed IFRS for SMEs

The Committee received a revised draft submission on the IASB Exposure Draft of a proposed IFRS for SMEs which had been revised by the secretariat taking into account comments received from certain Committee members subsequent to the last meeting together with comments made by the Chairman upon his review of the revised draft submission.

Subject to certain changes agreed, the Committee approved the draft submission for Council's approval.

A member expressed concerns about the time and effort that SMEs which are subsidiaries, associates or joint ventures of full IFRS reporters have to spend in collating and summarising the information required by full IFRSs. He proposed that IFRS for SMEs should have an option for SME entities to apply full IFRSs in terms of recognition and measurement principles but are entitled to take advantage of the disclosure relief available to all SMEs. Certain members who are preparers of financial statements considered that this would not be a big concern. The Committee agreed to neither include such proposal in the draft submission nor send a separate letter to the IASB on this subject.

3. IASB Discussion Paper Preliminary Views on Insurance Contracts

The Committee noted that comment letters were received from the following parties in response to the Committee's Invitation to Comment on the IASB Discussion Paper on *Preliminary Views on Insurance Contracts*:

- The Hong Kong Federation of Insurers (HKFI); and
- Office of the Commissioner of Insurance.

The Committee received a draft submission on the IASB Discussion Paper which had been prepared by the Working Group based on their discussions at the two Working Group meetings together with the comment letters received.

The Committee noted that the draft submission had been sent to HKFI for comments. Subject to certain editorial changes and comments to be received from the HKFI, the Committee approved the draft submission for Council's approval.

4. IASB Exposure Draft of proposed amendments to IAS 39 Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting

The Committee received a draft submission prepared by the secretariat. The secretariat advised that comments were received by a member subsequent to the distribution of meeting papers and the submission would be revised after taking into account the comments received.

Committee members were requested to consider the draft submission and provide their comments to the secretariat.

5. **IASB Exposure Draft ED 9 Joint Arrangements**

The Committee received a draft submission prepared by the secretariat. The secretariat advised that no comments have been received so far.

Committee members were requested to consider the draft submission and provide their comments to the secretariat.

6. **Proposed Amendments to HKFRS 3 Business Combinations and HKAS 27 Consolidated and Separate Financial Statements**

The Committee considered the proposed amendments to HKFRS 3 and HKAS 27 to delete the special provisions relating to the consolidation of subsidiaries before the Companies (Amendment) Ordinance 2005 came into effect.

The Committee agreed that since the removal of the special provisions in HKFRS 3 and HKAS 27 are not amendments to the current standards, it was agreed that no exposure is required for the proposed amendments to HKFRS 3 and HKAS 27.

7. **HKICPA/HKEx Joint Forum**

The Committee received a report on the HKICPA/HKEx Joint Forum entitled “Evolution of Financial Reporting – Has it fostered better market communication?” held on 13 November 2007 at the Exchange Auditorium. The forum attracted about 170 participants.

It was noted that apart from presentations by 5 speakers, there were two panel discussions sessions. In the discussion session in Part I “The Challenge of Fair Value”, panelists and participants debated on the usefulness of fair value and whether the IASB has gone too far on the use of fair value. In Part II “Communicating Financial Information”, the discussion was primarily focused on quarterly reporting and there were mixed views.

8. **Announced change in HK Profits Tax Rate in the Policy Address**

A member raised a query on whether or not a change in profits tax rate being announced in the Policy Address amounts to “substantial enactment” as referred to in HKAS 12 *Income Taxes*. There was a concern that the issue may affect the measurement of the deferred tax assets and liabilities.

The Committee agreed that the requirements of the accounting standards are clear. It was the Committee’s understanding that the policy address does not amount to substantial enactment. The secretariat was requested to address the issue in the Q&A section of the Institute’s Journal A Plus.

9. **International Working Group on Lease Accounting**

The Committee was informed that no further meeting was held after Mr. Peter Kilgour, the Institute’s representative, attended the meeting held on 15 February 2007. The Chairman agreed that the Committee would continue to provide support to Mr. Peter Kilgour when necessary.

Date of Next Meeting

The Committee agreed to hold its next meeting on 12 December 2007.

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@hki CPA.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.