



Minutes of the 175<sup>th</sup> meeting of the Financial Reporting Standards Committee held on Thursday, 24 September 2009 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Present: Mr. Paul F. Winkelmann (Chairman)  
Mr. Clement Chan (Deputy Chairman)  
Mr. Colin Chau  
Mr. Ian Farrar  
Mr. Wilson Fung  
Mr. Paul Hebditch  
Miss Fanny Hsiang  
Ms. Susanna Lau  
Mr. William Lim  
Mrs. Catherine Morley  
Mr. Paul Phenix  
Mrs. Lesley Wong

In attendance: Mr. Steve Ong, Director, Standard Setting  
Ms. Winnie Chan, Manager, Standard Setting  
Mr. Ambrose Wong, Manager, Standard Setting

Apology for absence was received from Ms. Caron Hughes.

	<u>Action</u>
<p>1. <b><u>Minutes of the 174<sup>th</sup> meeting</u></b></p> <p>The minutes of the 174<sup>th</sup> meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2. <b><u>Work plan for 2009 – status report</u></b></p> <p>The Committee noted the progress made on the work plan for 2009.</p>	
<p>3. <b><u>Guidance on the application of Amendments to IAS 17 Leases in the Annual Improvements to IFRS 2009</u></b></p> <p>The Committee generally agreed with the revised draft technical Q&amp;A except for certain improvements linking the Q&amp;A back to the classification indicators in IAS 17. The Standard Setting Department was requested to ensure there is no inconsistency between the Q&amp;A and <i>HK-Int 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> and prepare a revised draft for the Committee's consideration and endorsement by circulation. The Committee also agreed that property valuers in Hong Kong should be consulted prior to the finalization of the Q&amp;A.</p>	SS Dept
<p>4. <b><u>Guidance on the Determination of Realized Profits and Losses in the Context of Distributions under the HK Companies Ordinance</u></b></p> <p>The Committee agreed with the approach taken by the Working Group to issue the guidance in the form of a Practice Note based on the UK guidance "TECH 01/09 - Guidance on the determination of realized profits and losses"</p>	Working Group

*in the context of distributions under the Companies Act 2006*” in view of the similarity of the applicable law in HK and in the UK.

The final draft of the Practice Note and the executive summary will be circulated for the Committee’s consideration and endorsement. The Committee planned to expose the Practice Note for public comment in October.

The Chairman showed his appreciation to the work performed and the Committee recorded a vote of thanks to Mrs. Catherine Morley and her team.

## 5. **Consideration of IASB Discussion Documents**

The following discussion documents are due for comment soon:

- (a) ED of *Proposed Improvements to IFRSs (Third set)*;
- (b) ED *Part 2 of the Constitution Review Proposals for Enhanced Public Accountability*;
- (c) ED on *Rate-regulated Activities*;
- (d) IFRIC D25 – *Extinguishing Financial Liabilities with Equity Instruments*; and
- (e) ED of *Proposed Amendments to IAS 19 – Discount Rate for Employee Benefits*

The Committee agreed that the Institute should prepare a submission for items (a) and (b).

Given that rate-regulated entities issues are not common in Hong Kong, the Committee agreed that a submission for item (c) would be prepared only if significant comments are received from members or the public.

In respect of items (d) and (e), the Committee agreed that no submission would be prepared.

## 6. **Report on the National Standard Setters Meeting and the World Standard Setters Meeting**

The Chairman and the Director of Standard Setting attended the National Standard Setters Meeting held on 8 – 9 September in Frankfurt and the World Standard Setters Meeting in London on 10 – 11 September.

The Committee received a draft report on the National Standard Setters Meeting and the Chairman briefed the Committee on the key matters. The final report of the National Standard Setters Meeting can be viewed at [http://www.hkicpa.org.hk/file/media/section6\\_standards/technical\\_resources/pdf-file/events/2009/OtherForum/nss-eting-sept.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/technical_resources/pdf-file/events/2009/OtherForum/nss-eting-sept.pdf)

In addition, the Chairman briefed the Committee on the progress of various IASB projects that had been reported during the World Standard Setters Meeting such as projects on consolidation, derecognition, revenue recognition, IFRS for SMEs, replacement of IAS 39 and income taxes.

SS Dept.

SS Dept.

The Committee agreed that the Institute should liaise with other standard setters such as New Zealand to write to the IASB urging them to resolve inappropriate deferred tax provisions for revaluations on investment property. The Committee also agreed that reference should be made to our suggested solution outlined in our comment letter.

## 7. **Submissions on various IASB Discussion Documents**

The Committee ratified the submissions on various IASB Discussion Documents that were approved by the Committee by circulation: SS Dept.

(i) Discussion Paper on *Credit Risk in Liability Measurement*

[http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/Financial Reporting/submission-pdf/2009/Sub-CreditRisk-Liability-Measurement.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/Financial Reporting/submission-pdf/2009/Sub-CreditRisk-Liability-Measurement.pdf)

(ii) Request for Information on *Impairment of Financial Assets – Expected Cash Flow Approach*

[http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/Financial Reporting/submission-pdf/2009/Sub-Impairment-Financial-Assets.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/Financial Reporting/submission-pdf/2009/Sub-Impairment-Financial-Assets.pdf)

(iii) Exposure Draft on *Proposed Amendments to IAS 32 – Classification of Rights Issues*

[http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/Financial Reporting/submission-pdf/2009/Sub-IAS32-Classification-Right-Issues.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/Financial Reporting/submission-pdf/2009/Sub-IAS32-Classification-Right-Issues.pdf)

(iv) Exposure Draft of *Financial Instruments – Classification and Measurement*

[http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/Financial Reporting/submission-pdf/2009/Sub-iasb-classification-n-measurement.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/Financial Reporting/submission-pdf/2009/Sub-iasb-classification-n-measurement.pdf)

Furthermore, the Committee noted that the draft submission on ED on *Fair Value Measurement* prepared by the Standard Setting Department was being considered by the Working Group and will be endorsed by the Committee through circulation.

## 8. **Roundtable on the Constitution Review Part 2 in Tokyo**

The Chairman agreed to attend the roundtable meeting on IASC Foundation Constitution Review in Tokyo on 21 October 2009 and requested Committee members to forward to him any comments that they may have on the subject.

## 9. **IFRS for SMEs**

The Chairman advised that he is still considering how best to introduce the proposed IFRS for SME in Hong Kong as a reporting option (not mandatory) for eligible private entities while retaining the locally developed SME-FRS unchanged. He advised that it is important that the documents prepared by the Institute do provide members with useful information such as the benefits of using IFRS for SMEs.

Chairman &  
SS Dept.

A Committee member raised the point that in the section on Income Tax in the IFRS for SMEs, the IASB has adopted the proposals in the recent

Exposure Draft on Income Tax, which are more complex than the existing requirements in IAS 12. The Committee agreed to follow up this issue with Mr. Wayne Upton, when he visits Hong Kong on 15 October 2009.

**10. Report on IASB Financial Instruments Roundtable**

Mr. Ian Farrar attended the Tokyo Roundtable on Financial Instruments on 3 September 2009. He briefed the Committee on the views expressed by participants at the roundtable on topics such as the proposed measurement categories of fair value and amortised cost, and when those should be applied. Also discussed were the IASB's proposals regarding the measurement of equity instruments at fair value through OCI, and the elimination of bifurcation of embedded derivatives. The comments at the roundtable were consistent with those raised at the World Standard Setters Meeting.

There being no further business, the meeting closed at 10:00 a.m.

PAUL F. WINKELMANN  
CHAIRMAN

29 September 2009