



Minutes of the 180th meeting of the Financial Reporting Standards Committee held on Tuesday, 13 April 2010 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. Clement Chan (Chairman)
Mrs. Catherine Morley (Deputy Chairman)
Mr. Stephen Chan
Mr. Colin Chau
Mr. Raphael Ding
Mr. James Fawls
Mr. Paul Hebditch
Ms. Caron Hughes
Ms. Kelly Kong
Ms. Susanna Lau
Mr. Allen Leung
Mr. William Lim
Mr. Paul Phenix

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

Apologies for absence were received from Mr. Ian Farrar and Miss Fanny Hsiang.

	<u>Action</u>
<p>1. <u>Minutes of the 179th meeting</u></p> <p>The minutes of the 179th meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2. <u>HKFRS for Private Entities</u></p> <p>It was noted that the comment period of the Statement of Intent expired on 31 March 2010. The Chairman reported that there is general support noted for the introduction of HKFRS for Private Entities in Hong Kong as a reporting option and no adverse comments were noted so far.</p> <p>A member raised a concern as to whether an entity will be refrained from applying HKFRS for Private Entities under the Companies Ordinance if minority shareholders object to its adoption. The Standard Setting Department was directed to obtain legal advice from the legal counsel.</p> <p>Subject to the above enquiry and the editorial changes agreed at the meeting on the proposed Q&As on eligible entities and the illustrative financial statements accompanying the Standard, the Committee agreed to recommend the Council to approve the issuance of HKFRS for Private Entities on 30 April 2010.</p> <p><i>[Post meeting note: The proposed HKFRS for Private Entities was approved by Council on 13 April 2010 for issuance as a final standard. Council generally considered that further legal advice is not required as requested by the FRSC. It is generally agreed that this is similar to HKFRS, the Board</i></p>	SS Dept

of Directors is responsible for choosing the appropriate accounting framework.]

3. **Accounting Bulletin 4 - Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the HK Companies Ordinance**

It was noted that in response to comments received the Working Group has clarified and expanded the staff summary which accompanies Accounting Bulletin to explain more clearly how to use the guidance to estimate distributable profits. In addition, a paragraph that is recommended by the Hong Kong Monetary Authority has been incorporated into the main body of the Bulletin. Subject to certain editorial changes suggested by members, the Committee approved the issuance of Accounting Bulletin 4 and the staff summary.

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4. **Update on deferred taxation issue related to revaluation of investment properties**

The issue was discussed at the IASB Board Meeting on 18 March 2010. It was noted that the preliminary view of the IASB is that the only way to fix the issue without changing the fundamentals of IAS 12 was through a rule. The IASB staff will develop a proposal around the concept of the least cost approach whereby a deferred tax liability is recognized at the least amount the entity could be required to be paid in the future. The Committee generally agreed with the suggested approach by the IASB and requested the Standard Setting Department to liaise with the IASB Staff and closely monitor the matter and advise the Committee of its development.

5. **Visit of Sir David Tweedie on 16 April 2010**

The Committee noted the following events will be organized with Sir David Tweedie on 16 April:

Committee

- (a) Financial Reporting Forum
- (b) Welcoming lunch and
- (c) Informal meeting

For the informal meeting with Sir David Tweedie, members suggested that the agenda should include topics on the deferred taxation issue, application of IFRS 9 and approval mechanism of the publication of exposure drafts and IFRSs. The Chairman requested members to pass their further suggestions, if any, to the Standard Setting Department.

6. **IASB ED of Measurement of Liabilities in IAS 37**

The Committee considered the draft submission prepared by the Standard Setting Department with reference to comment letters received on the Invitation to Comment. The Committee generally agreed not to support the proposals in the exposure draft. Given that the IASB has extended the deadline to 19 May 2010 with the issuance of a clarification paper by its staff, the Chairman requested the Committee to review the IASB Staff Paper and provide feedback to the Standard Setting Department. The draft submission will be considered again at the next meeting.

Committee

[Post meeting note: Mrs. Catherine Morley, Ms. Caron Hughes and the Standard Setting Department will participate in the IASB Tokyo Roundtable

on IAS 37 to be held on 26 April 2010.]

7. Classification of Bank Loans

A member raised a matter as to whether fellow members are aware of issues in relation to classification of bank loans between current and non-current liabilities due to differences in lending terms in banking facilities. Members agreed to find out more information on the prevalence of the issue and revert back to the Committee in due course.

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

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CHAIRMAN

22 April 2010