



Minutes of the 184th meeting of the Financial Reporting Standards Committee held on Tuesday, 3 August 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. Paul Hebditch
Miss Fanny Hsiang
Ms. Kelly Kong
Ms. Susanna Lau
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, Mr. James Fawls, Ms. Caron Hughes and Mr. Allen Leung.

	<u>Action</u>
<p>1. <u>Minutes of the 183rd meeting</u></p> <p>The minutes of the 183rd meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2. <u>Accounting Application Issue</u></p> <p>The Committee received a summary of the discussion with Mr. Robert Garnett, Chairman of IFRS Interpretations Committee in relation to the issue of the classification of bank loans between current and non-current liabilities due to differences in lending terms in loan agreements.</p> <p>The Committee considered at length as to whether a Q&A would be sufficient to address the subject matter and generally agreed that as the issue has widespread implications for financial reporting in Hong Kong, there may be a need to issue a local exposure draft and interpretation. This would give members and preparers of financial statements a means of considering this matter carefully.</p> <p>The Committee agreed that the proposed draft interpretation should be submitted to the staff of IFRS Interpretations Committee for comment before its issuance.</p> <p><i>[Post meeting note: The letter together with the proposed draft interpretation was sent to the IFRS Interpretations Committee on 13 August 2010 after the Committee's approval by circulation.]</i></p>	SS Dept.

3. **Consultation Paper on Companies Ordinance Rewrite relating to Accounts and Audit**

The Committee supported the relaxation of the qualifying criteria for private companies to prepare simplified financial and directors' reports and would not object to extending the application of SME-FRF&FRS to private groups. The majority of Committee members also agreed with the Standard Setting Department's concern about the proposal to extend the possible use of SME-FRF&FRS to private companies/groups of any size, where members holding 75% of the voting rights so resolve and no member objects. A Committee member requested the Standard Setting Department to carry out further research as to why there should be a size criteria placed on the applicability of the SME-FRF&FRS for the Committee's reference at the next meeting.

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

It was noted that the issue was discussed at the IASB Board Meeting on 20 July 2010 where the IASB decided to issue an exposure draft to introduce an exception to the measurement principle in paragraph 52 of IAS 12 *Income Taxes*. That principle requires an entity to measure deferred tax in a manner consistent with the expected manner of recovery of the asset that generates the deferred tax. When the exception applies, an entity would measure any deferred tax liability in a manner that reflects the tax that the entity will pay if it sells the asset, or if lower, the tax that it will pay if it uses the asset. The exception would apply for investment properties, property, plant and equipment or intangible assets measured at fair value.

The Committee generally agreed in principle the proposal of the IASB and agreed to inform the IASB that the amendments should be applied retrospectively with earlier application allowed.

5. **IASB Consultation Documents**

(a) **IASB ED of Measurement Uncertainty Analysis Disclosure for Fair Value Measurements**

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The Committee noted the Exposure Draft (ED)'s proposal to requiring sensitivity disclosure of assets and liabilities measured at fair value within level 3 of the fair value hierarchy to focus on unobservable inputs and to consider the effect of correlation between inputs where relevant and significant. The Standard Setting Department was requested to draft a submission for consideration by the Committee.

(b) **IASB ED of Revenue from Contracts**

Mrs. Catherine Morley agreed to be the project convenor and will work with the Standard Setting Department in preparing the Institute's submission.

(c) **AOSSG Projects on Leases and Consolidation**

The Committee agreed that working groups should be set up to facilitate the Institute in the discussion of the lease and consolidation project with the Asian-Oceanian Standard-Setter Group (AOSSG). Mr. William Lim agreed to be the convenor of the leases project and the Committee

agreed to invite Mrs. Caron Hughes as the convenor of the Consolidation project.

[Post meeting note: Ms Caron Hughes agreed to be the convenor of the Consolidation project.]

6. IASB Outreach Activities in Hong Kong on 2 September 2010

The Committee noted that IASB Board Member, Mr. Tatsumi Yamada and IASB Technical Principal, Mr. Henry Rees will hold a discussion forum on the development of proposed IFRSs on revenue recognition and lease at the Institute on 2 September. The Committee agreed to organize a meeting and a welcoming lunch with Mr. Yamada and Mr. Rees.

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7. Comparison between HKFRSs and IFRSs as at 1 July 2010

The Committee approved the comparison table to be posted on the HKICPA website.

There being no further business, the meeting closed at 10:30 a.m.

CLEMENT CHAN
CHAIRMAN

18 August 2010