



Minutes of the 226th meeting of the Financial Reporting Standards Committee held on Tuesday, 15 December 2015 at 8:30 a.m. in the Rooms 3-4 of the Hong Kong Institute of Certified Public Accountants, 27/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Members present: Ms. Catherine Morley (Chairman), KPMG
 Ms. Shelley So (Deputy Chairman), PricewaterhouseCoopers (represented by Elza Yuen)
 Mr. James Fawls, HSBC
 Ms. Kelly Kong, Jardine Matheson & Co., Limited
 Ms. Susanna Lau, Securities and Futures Commission
 Mr. Ernest Lee, Ernst & Young
 Ms. Fanny Leung, Government of HKSAR, Treasury
 Mr. Steve Ong, Stock Exchange of Hong Kong Limited
 Mr. Gary Stevenson, RSM Nelson Wheeler
 Ms. Florence Wong, Financial Reporting Council
 Mr. Davis Yu, HLB

Staff in attendance: Ms. Christina Ng, Head of Financial Reporting, Standard Setting
 Ms. Winnie Chan, Associate Director, Standard Setting
 Ms. Eky Liu, Associate Director, Standard Setting
 Mr. Ben Lo, Associate Director, Standard Setting
 Ms. Katherine Leung, Manager, Standard Setting

Apologies: Mr. Gary Biddle, University of Hong Kong
 Mr. Vincent Ching, The Hong Kong Polytechnic University
 Ms. Candy Fong, Deloitte Touche Tohmatsu
 Mr. Paul Phenix, Baker Tilly Hong Kong Limited

	<u>Action</u>
<p>1. <u>Minutes of the 225th meeting</u></p> <p>The Committee approved and the Chairman signed the minutes of the 225th meeting.</p>	
<p>2. <u>Draft submission on IASB Request for Views 2015 Agenda Consultation</u></p> <p>The Committee considered and commented on the Institute's draft submission on the IASB Request for Views 2015 Agenda Consultation and directed the SSD to finalise the submission out-of-session for the Committee's approval.</p>	SSD
<p>3. <u>High level comments on IASB Draft IFRIC Interpretations</u></p> <p>The Committee considered the high level comments made by the Working Group (WG) and staff on the following IASB Draft IFRIC Interpretations:</p> <ul style="list-style-type: none"> • DI/2015/1 <i>Uncertainty over Income Tax Treatments</i>; and • DI/2015/2 <i>Foreign Currency Transactions and Advance Consideration</i>. <p>The Committee provided the Standard Setting Department (SSD) with direction on what issues and views could form the basis of the Institute's submissions, and directed the SSD to finalise the submissions to the IASB out-of-session for the Committee's approval.</p>	SSD

4. **IASB Exposure Drafts**

The Committee noted that the IASB issued the following IASB Exposure Drafts (ED):

- ED/2015/8 *IFRS Practice Statement: Application of Materiality to Financial Statements*;
- ED/2015/9 *Transfers of Investment Property* (Proposed amendment to IAS 40); and
- ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle*.

Due to the significance of the Disclosure Initiative project in the coming years, the Committee decided that a WG should be established to deal with the project, and more immediately, ED/2015/8.

SSD & WG

The Committee considered the staff preliminary views on ED/2015/9 and ED/2015/10, and agreed that no Working Group is necessary to deal with these EDs. The SSD was directed to prepare the draft submissions on these EDs for the Committee's approval at the next FRSC meeting.

SSD

5. **Report from the WG on Companies Ordinance (CO) application issues on financial reporting**

The Committee considered the wish list of amendments to the CO and agreed that the SSD should finalize and submit it to the Companies Registry.

SSD

The Committee also considered the editorial amendments to the *Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard* (SME-FRF & FRS) that reflect the clarification of certain new CO requirements. The Committee agreed that the editorial amendments are housekeeping in nature and therefore do not require public consultation. The Committee approved the amendments to the SME-FRF & FRS.

6. **Update on the Revenue Working Group Activities**

The Committee noted that the Revenue Working Group met with members of the Insurance Regulatory Liaison Group (IRLG) to understand the types and revenue recognition practice of insurance broker businesses, and discussed potential IFRS 15 issues arising from the insurance broker industry.

The Committee also noted the progress of the revised draft A-Plus article on real estate implementation issues.

7. **Update on the IFRS/HKFRS and China standards convergence**

The Committee noted the mechanism for the maintenance of convergence of the China Accounting Standards for Business Entities and IFRS/HKFRS.

The Committee also noted that the China Ministry of Finance and the IFRS Foundation have established a joint working group to explore ways to promote further use of IFRS in China, among other things.

8. Revised 2015 FRSC work plan and activities

The Committee noted the developments outlined in the revised 2015 FRSC work plan and activities.

9. Any other business

(i) Classification of convertible bonds denominated in foreign currency

The Committee noted a particular view on an issue on the classification of convertible bonds denominated in a currency that is narrowly pegged to the functional currency of the issuer and requested the SSD to consider ways to deal with this issue. Some members suggested to request the IASB to clarify the appropriate accounting treatment. The Committee decided to discuss this issue including the next steps to deal with the issue at its next meeting.

SSD

(ii) IASB ED/2015/11 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The Committee noted that the IASB issued ED/2015/11 and requested for comments by 8 February 2016, which is before the next FRSC meeting. The Committee directed the SSD to prepare the Institute's submission through the IRLG and the insurance stakeholders before the Committee's approval out-of-session.

SSD

There being no further business, the meeting closed at 11:30 a.m.

CATHERINE MORLEY
CHAIR

17 December 2015