



Minutes of the 234th meeting of the Financial Reporting Standards Committee held on Tuesday, 21 February 2017 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.

Members present: Ms. Shelley So (Chairman), PricewaterhouseCoopers
Mr. Ernest Lee (Deputy Chairman)
Ms. Candy Fong, Foremost Advisers Ltd
Ms. Eros Lau, Deloitte Touche Tohmatsu
Mr. Joe Ng, Ernest & Young
Ms. Pauline Ng, Securities and Futures Commission
Mr. Steve Ong, Stock Exchange of Hong Kong Limited (Dial-in)
Mr. Gary Poon, Poon & Co.
Mr. Simon Riley, BDO Limited
Mr. Gary Stevenson, RSM Hong Kong
Ms. Sanel Tomlinson, KPMG
Mr. Guochang Zhang, The University of Hong Kong

Staff in attendance: Ms. Christina Ng, Director, Standard Setting
Ms. Winnie Chan, Associate Director, Standard Setting
Ms. Kam Leung, Associate Director, Standard Setting
Ms. Eky Liu, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Ms. Daisy Xia, Manager, Standard Setting

Apologies: Mr. James Fawls, HSBC
Ms. Kelly Kong, Jardine Matheson & Co., Limited
Ms. Florence Wong, Financial Reporting Council

Action

1. Welcome and Introductions

The Chairman welcomed Ms. Eros Lau, Mr. Joe Ng and Ms. Pauline Ng as new members of the Committee.

The Committee noted the general confidentiality rules in relation to minutes and agenda papers, its terms of reference, and 2017 meeting dates.

2. Minutes and stakeholder liaison log

The Committee approved and the Chairman signed the minutes of the 233rd meeting.

The Committee noted SSD's stakeholder liaison log.

3. Strategic Planning

The Committee received an overview of HKICPA's standard-setting function and the role it plays in global standard-setting. The Committee noted HKICPA's standard-setting instruments that are:

- authoritative and mandatory, which are standards and interpretations;
- authoritative but not mandatory, which are accounting guidelines; and
- not authoritative nor mandatory, which includes accounting bulletins

and technical articles.

The Committee reflected on standard-setting developments in 2016, including the IASB's agenda and the Committee and SSD's activities. The Committee decided that its direction for the next three years shall be guided by balancing the Committee's and SSD's resource capacity and the Institute's aims to proactively contribute to, and proactively promoting its work and profile as a leader in, high quality standards.

The Committee will therefore focus its efforts on:

- responding to high priority projects throughout the project life cycle and conducting research and outreach activities to inform its views;
- understanding, facilitating and addressing issues arising from applying/implementing HKFRS and SME-FRS;
- enhancing stakeholder relations and engagement, and international representation, with particular focus on high priority projects.

The Committee will discuss the progress made on its high priority projects and the 2017-2019 project plans at its next meeting.

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4. **HKFRS 15 Revenue from Contracts with Customers**

(a) Applying HKFRS 15 to not-for-profit private members clubs

The Committee considered a question on the applicability of HKFRS 15 to contracts with members of not-for-profit private members clubs that are run by members for members, in particular in relation to fees paid to join such clubs and whether voting members are 'customers' of the entity. A distinguishing characteristic of these clubs is voting members have a right to make decisions on the operations of the club.

The Committee considered the scope of HKFRS 15 and decided that the nature of such clubs, being a not-for-profit private entity, does not preclude them from applying the standard. The Committee also considered that, whether HKFRS 15 applies to these contracts depends on specific facts and circumstances. For example, contracts of such clubs may comprise an element of customer-vendor relationship and an element of collaborative arrangement.

The Committee will consider a specific fact pattern pertaining to transactions of such clubs at its next meeting.

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Committee

(b) Applying the 'transfer of control' principle

The Committee noted a letter from the Real Estate Developers Association of Hong Kong (REDA) about HKFRS 15's principles on the transfer of control of goods or services from an entity to a customer, and the point at which control could have transferred. In particular, the letter contained REDA's feedback on applying the principles under HKFRS 15 to multi-unit apartments that are sold before completion..

The Committee noted that HKFRS 15.31 states, "an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset."

The Committee also noted the conclusions of the staff article published in Aplus in October 2015, which considered:

- the promised asset that a developer is obligated to transfer is the completed property, and
- the point at which a customer obtains control of a completed property is usually when the customer obtains legal title or physical possession of the property.

The Committee proposed to meet with REDA to facilitate a discussion on the application of HKFRS principles.

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members

5. **Presentation: A theory on designing financial statements to serve investor's need**

FRSC member Guochang Zhang presented his preliminary research theory, which will also be presented at the March IFASS meeting.

The Committee noted that Zhang's theory, as presented, is a first step in his research and that he plans to develop his theory based on the needs of a specific user group, one at a time.

The Committee encouraged Zhang's research in this space and provided him feedback for his next steps in the research.

There being no further business, the meeting closed at 11:50 a.m.

SHELLEY SO
CHAIR

21 February 2017