



Minutes of the 262nd meeting of the Financial Reporting Standards Committee held on Monday, 22 February 2021 at 8:30 a.m. via videoconference.

Members present: Mr. Ernest Lee (Chairman), Deloitte Touche Tohmatsu
Mr. Gary Stevenson (Deputy Chairman), RSM Hong Kong
Ms. Kathryn Ashley, HSBC
Mr. Choy Kai Sing, Asia Metro Ltd and own-name practice
Ms. Candy Fong, Foremost Advisers Ltd
Mr. Park Kwok, HLB Hodgson Impey Cheng Limited
Ms. Vincyy Lai, Jardine Matheson & Co., Limited
Mr. Kenneth Lau, Crowe (HK) CPA Limited
Mr. Joe Ng, Ernst & Young
Mr. Ghee Peh, IEEFA
Mr. Richard Poon, AIA Group
Mr. Jim Tang, KPMG
Mr. William Wong, Stock Exchange of Hong Kong Limited
Mr. Guochang Zhang, The University of Hong Kong
Ms. Lisa Zhang, PricewaterhouseCoopers

Staff in attendance: Mr. Chris Joy, Executive Director, Standards & Regulation (For item 1 only)
Ms. Cecilia Kwei, Director, Standard Setting
Mr. Tiernan Ketchum, Deputy Director, Standard Setting
Mr. Norman Chan, Associate Director, Standard Setting
Ms. Carmen Ho, Associate Director, Standard Setting
Ms. Joni Kan, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Ms. Eky Liu, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting

Apologies: Ms. Susanna Lau, Securities and Futures Commission

Action

1. Minutes, work program and liaison log

The Committee approved the minutes of the 261st meeting.

The Committee noted the developments outlined in the FRSC and SSD work program and liaison log.

2. Leases

IASB ED/2021/2 Covid-19-Related Rent Concessions beyond 30 June 2021 (Proposed amendment to IFRS 16)

The Committee received an update on the proposed amendments in the ED, including feedback received from stakeholders such as the Leases Advisory Panel (Panel) and the comment letters received to date (refer to the HKICPA website for comment letters and meeting summary). The Committee members generally supported the proposals in the ED.

The Committee also acknowledged that there is a need for the Institute to act swiftly to provide relief to stakeholders in Hong Kong, and thus the turnaround time for the approval of the equivalent amendment to HKFRS 16 will be short in order to enable the Institute to issue the equivalent amendment in a timely manner following its issuance by the IASB.

The Committee further considered and approved the Institute's draft submission to the IASB on the ED.

[Post meeting note: The Institute's comment letter on the ED was submitted to the IASB on 24 February 2021. The final amendment to IFRS 16 was published by the IASB on 31 March 2021 and the equivalent amendment to HKFRS 16 was approved by the Committee out of session and published on 9 April 2021.]

IASB ED/2020/4 Lease Liability in a Sale and Leaseback (Proposed amendment to IFRS 16)

The Committee received an overview of the proposed amendment in the ED and an update on feedback received from stakeholders, including the Panel, and the comment letters received to date (refer to the HKICPA website for comment letters and meeting summary).

The Committee considered and provided comments on the proposals in the ED. The Committee broadly agreed with the Panel's feedback, and generally did not support the ED's proposed amendment to IFRS 16 to introduce a new lease liability model for sale and leaseback transactions. The Committee also noted the Panel's comment that the IASB may reconsider the accounting of sale and leaseback transactions more thoroughly in the post-implementation review of IFRS 16.

SSD staff will circulate a draft submission on the ED for the Committee to consider and approve out of session in early March.

SSD

[Post meeting note: The Institute's comment letter on the ED was approved by the Committee out of session and was submitted to the IASB on 24 March 2021.]

3. IASB Request for Information Post-implementation Review IFRS 10, IFRS 11 and IFRS 12 (RFI)

The Committee received an overview of the proposals in the IASB's RFI and an update on the feedback received to date from SSD staff's outreach activities, including a meeting with Business Combinations and Reporting Entity Advisory Panel (meeting summaries will be posted on the Institute's website in due course).

The Committee considered and provided observations and comments on the RFI. The Committee also noted the SSD staff's next steps with regard to outreach and the Institute's submission on the RFI.

SSD will provide an update on additional stakeholder feedback and present the comments to be incorporated into the Institute's submission at the following FRSC meeting.

SSD

4. IFRS Practice Statement 2 Making Materiality Judgements (MPS)

The Committee received an overview of IFRS Practice Statement 2 *Making Materiality Judgements*, and noted prior FRSC discussions on the issuance of an equivalent MPS in Hong Kong.

The Committee noted that at its April 2019 meeting, it decided that the MPS should be considered for issuance holistically with other related materiality projects when they are completed. The Committee noted that the issuance

of *Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2* by the IASB on 12 February 2021 represented the completion of the IASB’s planned materiality-related projects.

Committee members generally agreed that the MPS provides useful guidance and examples for how to exercise judgement when assessing materiality. The Committee agreed with the issuance of an equivalent MPS in Hong Kong, as updated for minor consequential amendments to *References to the Conceptual Framework in IFRS Standards* and *Definition of Material*, with the amendments arising from *Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2* attached as an appendix until they become effective.

The Committee noted copyright and localisation matters relevant to the adoption of an equivalent MPS in Hong Kong, and agreed to adopt it under the name of “HKFRS Practice Statement 2 *Making Materiality Judgements*” and set the application date of HKFRS Practice Statement 2 *Making Materiality Judgements* as its issuance date.

The Committee also noted prior FRSC discussions regarding the adoption of IFRS Practice Statement 1 *Management Commentary* in Hong Kong. The Committee noted prior SSD staff analysis comparing similarities between the elements and principles in existing management commentary/business review requirements in Hong Kong and those in IFRS Practice Statement 1 *Management Commentary*. The Committee also noted its prior view that management commentary requirements should be set by local jurisdictions. The Committee agreed that HKICPA should not consider adoption of IFRS Practice Statement 1 *Management Commentary* in Hong Kong.

[Post meeting note: HKFRS Practice Statement 2 *Making Materiality Judgements* was published on 22 March 2021.]

5. **Other business**

Accounting of the annual registration fee of Mandatory Provident Fund (MPF) Schemes

The Committee noted that the SSD staff plans to discuss the accounting of the annual registration fee of MPF Schemes by MPF trustees with relevant stakeholders in early April, and the issue will be brought to the next FRSC meeting.

Administrative matter

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting no later than 15 working days prior to the meeting date.

It was noted that the next meeting was scheduled on 14 April 2021.

There being no further business, the meeting closed at 12:00 p.m.

9 April 2021

ERNEST LEE
CHAIR