



Minutes of the 196<sup>th</sup> meeting of the Financial Reporting Standards Committee held on Tuesday, 4 October 2011 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. Elsa Ho  
Ms. Caron Hughes  
Ms. Kelly Kong  
Ms. Susanna Lau  
Mr. Allen Leung  
Mr. William Lim  
Mr. Paul Phenix  
Ms. Shelley So  
Ms. Florence Wong

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

1. **Minutes of the 195<sup>th</sup> meeting**

The minutes of the 195<sup>th</sup> meeting were approved by the Committee and signed by the Chairman.

2. **Report on the NSS, AOSSG and WSS meetings**

The Chairman and the Director of Standard Setting Department attended the National Standard Setters (NSS) meeting held on 12 – 13 September in Vienna, the Asian-Oceanian Standard-Setter Group (AOSSG) meeting and the World Standard Setters (WSS) meeting in London on 14 September and 15 -16 September respectively.

The Committee received a report of the meetings and the Chairman briefed the Committee on the key matters as follows:

- Status of IASB projects – revenue recognition, leases, financial instruments and insurance project
- FASB proposed exposure draft on financial instruments
- IASB agenda consultation
- Rate regulated activities.

The IASB has decided that there will be a further re-exposure draft on both the leases and revenue recognition projects. Therefore constituents would have another chance to provide their comments.

Action

For the AOSSG meeting, the Chairman reported that the AOSSG was still considering the proposal of extending the terms of the period of service for the role of vice-chairman and chairman to 2 years and will be decided at the next Annual Meeting on 23 – 24 November 2011 in Melbourne.

3. **Size criteria on simplified financial reporting under the Companies Bill**

The Committee noted that the Society of Chinese Accountants and Auditors (SCAA) submitted a comment letter to the Bills Committee on Companies Bill on the size criteria on simplified financial reporting under the Companies Bill and a meeting had been arranged between the Financial Services and Treasury Bureau and the Institute on this matter.

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The Committee agreed to invite the Working Group on SME-FRF&FRS to consider the comments from the SCAA and to perform research to understand the rationale behind the setting of the size criteria of small private company in other jurisdictions.

4. **Nomination of Vice-Chair of AOSSG**

The Committee noted that the formal process of the nomination of Vice-Chair of AOSSG has started and the Institute will apply for the position with Mr. Clement Chan, the Chairman of the Committee, representing the Institute. The Committee endorsed the nomination letter prepared by the Standard Setting Department for final approval by the Nomination Committee of the Institute.

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*[Post meeting note: The nomination letter was approved by the Nomination Committee of the Institute on 7 October 2011 and submitted to the AOSSG on 14 October 2011.]*

5. **Reconsideration of the relationship between NSS and the IASB**

The Committee noted that the NSS is performing a review of the document "Statement of Best Practice: working relationships between the IASB and other accounting standard setters" and requested for inputs from NSS members.

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The Committee considered the draft reply prepared by the Standard Setting Department and had a number of concerns. The Committee requested the Standard Setting Department to revise the draft reply based on the comments received at the meeting for the consideration of the Committee by circulation.

6. **Accounting application issue on convertible bonds**

The Committee previously discussed the issue of the derivative liability/equity classification of the conversion option of certain convertible bonds. The Committee agreed that the Standard Setting Department should continue to monitor the issue and keep the Committee posted of new developments.

7. **Action plan to strengthen the business community's understanding of HKFRSs**

The Committee agreed that more outreach activities with the business community, particularly for listed companies, to understand the practical

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implementation issues arising from the issuance of new HKFRSs is important to strengthen the role of the Institute as a standard setter in Hong Kong.

The Committee considered the action plan prepared by the Standard Setting Department and recommended that the Institute should work closely with the Hong Kong Institute of Directors as well as the Chamber of Commerce to obtain their feedback on the implementation of existing and new standards. In addition, roundtables should also be regularly arranged to exchange views with local constituents. The Standard Setting Department thanked the Committee for their comments and will incorporate those comments in the revised action plan.

**8. A request from Quality Assurance Department on the accounting for receipt of tax indemnities from parent companies**

The Committee considered a referral from the Quality Assurance Department (QAD) of the Institute regarding the accounting for receipt of tax indemnities from parent companies.

The Committee considered a technical paper prepared by the QAD on the diversity in accounting treatment for tax indemnities received from a parent company. The Committee generally was of the view that the determination of the appropriate accounting treatment is a matter of judgement based on the facts and circumstances of each case. Significant judgements made in determining the accounting treatment should be disclosed in the notes to the financial statements.

**9. Update on joint seminar with HKIS for the visit of the Chairman of IVSC**

The Director of the Standard Setting Department reported that the joint seminar with the Hong Kong Institute of Surveyors (HKIS) has been confirmed to be held on 2 November and the purpose of the seminar is for the Board Members of the International Valuation Standards Committee (IVSC) to introduce the new valuation standards. The Standard Setting Department will also arrange a networking dinner with the IVSC Board Members. Members are invited to join the events.

**10. Speaker for IFRS Regional Policy Forum 2012**

The Committee noted that the Standard Setting Department has received a request from the Malaysian Accounting Standards Board to provide assistance by finding a financial analyst to act as speaker at the next IFRS Regional Policy Forum to be held in March 2012 in Kuala Lumpur. The Chairman requested members to consider and suggest for an appropriate speaker for the Forum and to revert back to the Standard Setting Department.

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

CLEMENT CHAN  
CHAIRMAN

18 October 2011