



Minutes of the 188<sup>th</sup> meeting of the Financial Reporting Standards Committee held on Tuesday, 7 December 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. Raphael Ding  
Mr. Paul Hebditch  
Ms. Caron Hughes  
Ms. Kelly Kong  
Ms. Susanna Lau  
Mr. Allen Leung  
Mr. Paul Phenix  
Ms. Shelley So

In attendance: Mr. PM Kam, Institute's representative on IFRS Advisory Council (for Item 1 only)  
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. Colin Chau, Mr. James Fawls, Miss Fanny Hsiang and Mr. William Lim.

Action

**1. Report on IFRS Advisory Council Meeting on 3<sup>rd</sup> and 4<sup>th</sup> November 2010**

Mr. PM Kam provided a verbal report on the major items discussed as follows:

(i) Overview of IASB's activities

Sir David Tweedie reported on progress against the revised work plan that was recently agreed with the FASB. IFRS Advisory Council welcomed the revisions and noted that progress to date has narrowed but not entirely eliminated important differences between IFRSs and US GAAP.

Four major projects remain targeted for completion by 30 June 2011: Financial Instruments, Revenue Recognition, Leases and Insurance Contracts. Projects that have been slowed down include Financial Statements Presentation, Distinguishing Liabilities and Equity, Emission Trading Schemes, Joint Venture Arrangements, Liabilities (replacement of IAS 37), Rate-regulated Activities and Income Taxes.

(ii) Post-2011 IASB Work Plan

IFRS Advisory Council was pleased that the IASB has taken their suggestions of focusing on the conceptual and disclosure frameworks and post-implementation review into consideration. The IASB expects to consult the IFRS Advisory Council on its short list of potential post-2011 projects at the June 2011 Council meeting.

(iii) Review of the IFRS Foundation

IFRS Advisory Council appreciated that a working group was established by the Monitoring Board in July 2010 to review the overall governance model of the IFRS Foundation and the recent issuance of consultation document on Trustees' Strategy Review. IFRS Advisory Council will discuss the results of the consultation with representatives of the Trustees in February 2011.

(iv) Performance Review

Members of the IFRS Advisory Council received a preliminary report on the results of the self-assessment process. The results indicated a fairly high level of satisfaction particularly on "internal" matters relating to how the IFRS Advisory Council operates and somewhat lesser satisfaction on "external" matters relating to how the IFRS Advisory Council interacts with key stakeholders, especially the IASB and the Trustees. A working group will analyze the responses and bring recommendation to the IFRS Advisory Council in February 2011.

Mr. Kam also attended an education session on impairment and hedge accounting.

2. **Minutes of the 187<sup>th</sup> meeting**

The minutes of the 187<sup>th</sup> meeting were approved by the Committee and signed by the Chairman.

3. **FRSC Work Plan 2010 – Status Report**

The Committee considered the status report of the Work Plan for 2010 and noted the progress made on the various projects.

4. **HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

The Committee considered a draft Questions and Answers (Q&As) relating to the adoption of HK Interpretation 5 prepared by the Standard Setting Department. The Committee agreed to revise the draft based on the comments raised at the meeting. SS Dept.

[Post meeting notes: The Q&As was posted onto the Institute's website on 14 December 2010 after the Committee's endorsement by circulation and can be viewed at:

[http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/FinancialReporting/r/2010/QA%20hkint5.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/r/2010/QA%20hkint5.pdf)]

5. **IASB Exposure Draft of Proposed Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets**

The Committee noted the pre-ballot draft of the amendments to IAS 12 after the IASB Board meeting on 3 December 2010. In the pre-ballot draft, the IASB staff are proposing: SS Dept.

- (1) incorporation of SIC-21 after excluding the investment property from the scope of SIC-21; and
- (2) rewording the rebuttable presumption so that the presumption that deferred tax on investment property carried at fair value under IAS 40 *Investment Property* shall be measured reflecting the tax consequence of recovering the carrying amount of the investment property entirely through sale is rebutted if the asset is held within a business model whose objective is to consume "substantially all" economic benefits throughout the asset's economic life.

The Committee generally supported the amendments proposed by the IASB staff. In order to facilitate members in adopting the amendments, the Committee requested the Standard Setting Department to organize a lunch forum on this shortly after the IASB has issued the final amendments.

A member raised a concern that the amendments to IAS 12 proposed by the IASB are different from the requirements in the HKFRS for Private Entities in relation to revaluation gains on investment properties. The Committee requested the Standard Setting Department to consider possible solutions and report back at the next meeting in January 2011.

[Post meeting notes: The amendments to HKAS 12 Income Taxes were approved by the Committee on 21 December 2010 and can be viewed at [http://app1.hkicpa.org.hk/hksaebk/HKSA\\_Members\\_Handbook\\_Master/updates/update102.pdf](http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update102.pdf)

The lunch forum on the amendments to HKAS 12 has been confirmed to be held on 17 January 2011.]

**6. IFRS Foundation Paper for Public Consultation – Status of Trustee's Strategy Review**

The Committee noted that the Trustee of the IFRS Foundation published a first-stage consultation document designed to solicit input on the strategy of the IFRS Foundation as it enters its second decade. Members were requested to provide their comments to the Standard Setting Department before the next meeting. In addition, the Committee agreed that a meeting should be set up with key stakeholders to solicit their views on this consultation.

**7. IVSC Roundtable in Hong Kong on 12 November 2010**

The Committee noted the report prepared by the Standard Setting Department on the IVSC Roundtable in Hong Kong which was attended by Mr. Yin Toa Lee of Ernst & Young, as the representative of the Institute and Ms. Winnie Chan of the Standard Setting Department as a observer of the meeting.

**8. IASB ED of Leases**

The Deputy Chairman reported the progress of the draft submission on the captioned Exposure Draft prepared by the Working Group. It was reported that the Working Group had significant concerns over applying a "right of use" model as is proposed in the ED. It was considered that a more fundamental and conceptual approach should be adopted to identify the nature of "assets" transferred under a lease and the timing of that transfer. The Working Group did not consider that such an analysis can be conducted by starting with the lessee first. Instead, this issue should be addressed in the revenue project starting with the accounting for lessor. The Committee agreed that the final draft submission would be endorsed by circulation.

[Post meeting note: The Institute's submission was forwarded to the IASB on 15 December 2010 after the Committee's endorsement by circulation and can be viewed at:

[http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/FinancialReporting/submission-pdf/2010/sub-ed-leases.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2010/sub-ed-leases.pdf)]

**9. Date of next meeting**

The Committee agreed that the date of the next meeting would be 11 January 2011 at 8:30a.m.

There being no further business, the meeting closed at 11:00 a.m.

CLEMENT CHAN  
CHAIRMAN

24 December 2010