

Financial Accounting Standards Committee

Meeting summary – October 2003

The Society's Financial Accounting Standards Committee (Committee) met on 15 October 2003.

Present at the Committee's meeting were: Messrs. Roger Best (Chairman), Paul F. Winkelmann (Deputy Chairman), Chan Lok Sang, Choy Chung-foo (represented by Mr. Vingle Yuen), William Crowe, Raphael Ding, Robert Gibson, Andrew Huke, Nigel Reid, Tommy Tam, Stephen Taylor, Tom Wu, Ms. Olivia Cheung, Ms. Susanna Lau, Mr. Simon Riley (HKSA Deputy Director, Accounting) and Ms. Elsa Ho (HKSA Assistant Director, Accounting).

The Committee discussed the following items:

- ✓ IASB ED 4, Disposal of Non-current Assets and Presentation of Discontinued Operations
- ✓ IASB ED 5, Insurance Contracts, draft comment letter
- ✓ IFAC Proposed Statements of Membership Obligations (SMO) – discussion on SMO 5 & SMO 7

IASB ED 4, Disposal of Non-current Assets and Presentation of Discontinued Operations

The Committee noted that comment letters were received from the following, in response to the Committee's Invitation to Comment on the IASB's Exposure Draft ED 4, Disposal of Non-current Assets and Presentation of Discontinued Operation:

- ✓ HK Association of Banks
- ✓ The DTC Association
- ✓ Mr. Tsang Wai Hung (HKSA member, commenting in his individual capacity)
- ✓ Mr. Wong Cheuk Lam (HKSA member, commenting in his individual capacity)

The comment letters, which will be made available on the HKSA website, raised substantive points in relation to the proposals contained in the IASB's exposure draft.

The Committee would consider a comment letter with a view to finalising it for submission to the IASB before end of October. The finalised comment letter will be made available on the HKSA website at

<http://www.hksa.org.hk/professionaltechnical/accounting/submissions>

IASB ED 5, Insurance Contracts, draft comment letter

The Committee noted that comment letters were received from the following, in response to the Committee's Invitation to Comment on the IASB's Exposure Draft ED 5, Insurance Contracts:

- ✓ The Actuarial Society
- ✓ The Hong Kong Federation of Insurers
- ✓ The Hong Kong Association of Banks
- ✓ The Office of the Commissioner of Insurance
- ✓ The DTC Association
- ✓ Mr. Tsang Wai Hung (HKSA member, commenting in his individual capacity)

The comment letters, which will be made available on the HKSA website, raised substantive points in relation to the proposals contained in the IASB's exposure draft.

The Committee noted that the Expert Panel on Insurance (EPI) would discuss the ED and an initial draft comment letter in late October. The draft comment letter, after incorporating the comments made by the EPI, would be considered by the Committee with a view to finalising it for submission to the IASB in early November. The finalised comment letter will be made available on the HKSA website at

<http://www.hksa.org.hk/professionaltechnical/accounting/submissions>

IFAC Proposed Statements of Membership Obligations (SMO) – discussion on SMO 5 & SMO 7

The Committee considered the following two Statements of Membership Obligations ("SMO") proposed under the exposure draft of Proposed Statements of SMO issued by the International Federation of Accountants ("IFAC"):

Proposed SMO 5 – Public Sector Accounting Standards and Other Pronouncements
Proposed SMO 7 – International Financial Reporting Standards

SMO 5 sets out the proposed obligation of member bodies of IFAC in relation to International Public Sector Accounting Standards (IPSASs) and other pronouncements developed by the Public Sector Committee of IFAC. It is proposed that, where responsibility for the development of national public sector accounting standards lies with third parties, the member body should be obligated to use its best endeavours to persuade those responsible for developing the requirements for financial reporting by governments and others in public sector organisation that

public sector financial statements should comply with IPSASs and disclose the fact of such compliance. It is also proposed that member bodies should be required to use their best endeavours to monitor compliance with IPSASs by reviewing financial statements purporting to comply with IPSASs to the extent such engagements are included in the scope of the quality assurance review program.

SMO 7 sets out the proposed obligations of member bodies of IFAC in relation to International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). It is proposed that member bodies should be required to use their best endeavours to monitor compliance with IFRSs by reviewing the financial statements purporting to comply with IFRS s to the extent such engagements are included in the scope of the quality assurance review program.

Subject to a few minor comments on the wording of the SMOs, the Committee was generally satisfied with SMO 5 and SMO 7 proposed under the ED. The Committee's comments would be taken into account when developing the HKSA's response to the IFAC.

Date of Next Meeting

The Committee's next meeting is tentatively scheduled to be held on 12 November 2003.

This meeting summary is provided for the information and convenience of those who wish to follow the Committee's deliberations. Except where indicated otherwise, all conclusions reported are tentative and may be changed at future meetings.

The IASB publishes summaries of its meetings and projects. These can be found on the IASB's website at <http://www.iasb.org.uk>.

The Committee welcomes comments on its technical agenda. Please e-mail us at commentletters@hksa.org.hk.