



**Financial Reporting Standards Committee**  
**Meeting summary – September 2005**

The Institute's Financial Reporting Standards Committee (Committee) met on 7 September 2005.

Members of the Committee present were: Messrs. Paul F. Winkelmann (Chairman), Wilson Fung (Deputy Chairman), C.F. Choy (Rep. by Mr. Vingle Yuen), Tommy Fung, Saleem Razvi, Tommy Tam, Tom Wu (Rep. by Jacky Tsang), Ms. Olivia Cheung, Ms. Susanna Lau and Mrs. Catherine Morley.

Secretariat staff present were: Mr. Stephen Chan (Executive Director), Mrs. Patricia McBride (Director, Standard Setting), Ms. Elsa Ho (Assistant Director, Standard Setting) and Ms. Elaine Chan (Assistant Director, Standard Setting).

The Committee discussed the following items:

1. HKFRS 7 *Financial Instruments: Disclosures*
2. Amendment to HKAS 1 *Presentation of Financial Statements—Capital Disclosures*
3. Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 4 *Insurance Contracts—Financial Guarantee Contracts*
4. Exposure Draft of Proposed Amendments to HKAS 27 *Consolidated and Separate Financial Statements* and HKFRS 3 *Business Combinations*
5. HK(IFRIC)-Int 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*
6. Example disclosure note on regulatory reserve for the purpose of the Banking Ordinance
7. Accounting Update Conference
8. Standard Setting Steering Board meeting held on 1 September 2005

**1. HKFRS 7 *Financial Instruments: Disclosures***

The Committee considered a draft copy of HKFRS 7 *Financial Instruments: Disclosures* that is based on the IAS equivalent. The Committee noted that no comments had been received on this Standard during the consultation period.

Subject to the removal of the reference to the glossary of terms and a minor wording change in the introduction of the proposed Standard, the Committee approved the draft to be submitted to Council for approval to be issued as a final Standard with effect for annual periods beginning on or after 1 January 2007 (with earlier application encouraged). The Committee also agreed to recommend Council to withdraw HKAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* when HKFRS 7 becomes effective. Once the proposed HKFRS 7 is approved by Council, it will be issued as an update to the Institute's Members' Handbook.

During the discussion, the Committee also agreed that a glossary of terms similar to that in IFRSs should be developed.

**2. Amendment to HKAS 1 *Presentation of Financial Statements—Capital Disclosures***

The Committee considered a draft copy of the Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures* that is based on the IAS equivalent. The Committee noted that no comments had been received on this Amendment during the consultation period.

Subject to certain wording changes to the dissenting opinion section, the Committee approved the draft to be submitted to Council for approval to be issued as a final Standard with effect for annual periods beginning on or after 1 January 2007 (with earlier application encouraged). Once the proposed amendment is approved by Council, it will be issued as an update to the Institute's Members' Handbook.

3. **Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 4 *Insurance Contracts—Financial Guarantee Contracts***

The Committee considered a draft copy of Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 4 *Insurance Contracts—Financial Guarantee Contracts* that are based on the IAS equivalents. The Committee noted that no comments had been received on these Amendments during the consultation period.

The Committee approved the draft to be submitted to Council for approval to be issued as a final Standard with effect for annual periods beginning on or after 1 January 2006 (with earlier application encouraged). Once the proposed amendments are approved by Council, they will be issued as an update to the Institute's Members' Handbook.

4. **Exposure Draft of Proposed Amendments to HKAS 27 *Consolidated and Separate Financial Statements* and HKFRS 3 *Business Combinations***

The Committee was presented with a draft copy of the Exposure Draft of Proposed Amendments to HKAS 27 *Consolidated and Separate Financial Statements* and HKFRS 3 *Business Combinations*. The proposed amendments were to remove the specific provisions for Hong Kong incorporated companies in those Standards following the passage of the Companies (Amendment) Ordinance (CAO) 2005 to enable Hong Kong incorporated companies to adopt the IAS definition of subsidiary for the purpose of preparing group accounts. The Committee was also informed that a commencement notice of the CAO 2005 was expected to be gazetted in early October 2005 and the changes brought about by the CAO 2005 were expected to be effective for accounting periods beginning on or after 1 January 2006.

The Committee did not consider that there is a need to expose the changes to those Standards as they are merely consequential on the changes to the Companies Ordinance. The Committee therefore directed the secretariat to make ready a draft Standard for issue at the time when the commencement notice of the CAO 2005 is gazetted.

5. **HK(IFRIC)-Int 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment***

The Committee considered a draft copy of HK(IFRIC)-Int 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* that is based on the equivalent IFRIC Interpretation. The Committee noted that no comments had been received on this Interpretation during the consultation period.

The Committee approved the draft to be submitted to Council for approval to be issued as a final Interpretation with effect for annual periods beginning on or after 1 December 2005 (with earlier application encouraged). Once the Interpretation is approved by Council, it will be issued as an update to the Institute's Members' Handbook.

**6. Example disclosure note on regulatory reserve for the purpose of the Banking Ordinance**

The Committee received the draft example disclosure note on regulatory reserve for the purpose of the Banking Ordinance that was referred to it by the Expert Panel on Banking for consideration.

The Committee considered the wording in the draft note is too extensive and thus proposed a shorter version.

The Committee considered that the impact of HKAS 39 on provisions for loans might affect some of the returns prepared by the banking companies and therefore agreed to refer this to the Auditing and Assurance Standards Committee for consideration.

**7. Accounting Update Conference**

The Committee was informed that Sir David Tweedie would be visiting China early in November. Accordingly, if it were possible for Sir David to visit Hong Kong at the same time, the Committee proposed to arrange a forum then and to invite him again as the keynote speaker.

After considering the resource constraints, the Committee agreed that, assuming Sir David Tweedie can visit, a forum be organised instead of an accounting update conference as originally proposed.

*(Post meeting note: Sir David will not be able to come in November but may visit in early 2006.)*

**8. Standard Setting Steering Board meeting held on 1 September 2005**

The Committee noted the summary of discussions at the meeting of the Standard Setting Steering Board (SSSB) held on 1 September 2005. In particular, members noted that the SSSB had directed the secretariat to develop a consultation paper to solicit views on the Institute's financial reporting setting role and expressed the following views:

- The direction of convergence with IFRS is right
- More efforts should be put on influencing the IASB at the development stage of an IFRS
- More dialogue with industry groups should be made
- It would not be desirable to issue more local interpretations at this stage

**Date of Next Meeting**

The Committee agreed to hold its next meeting on 12 October 2005.

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.

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The Committee welcomes comments on its technical agenda. Please e-mail us at:  
[commentletters@hkiipa.org.hk](mailto:commentletters@hkiipa.org.hk).

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**Meeting Summaries are provided for the information and convenience of those who wish to follow the Committee's deliberations. Decisions reported are tentative and may be changed or modified by the Committee at a later date. Decisions become final only after completion of the formal due process required to finalize and release documents. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this Meeting Summary, or for any errors or omissions in it.**