



Financial Reporting Standards Committee
Meeting summary – July 2008

The Institute's Financial Reporting Standards Committee (Committee) met on 8 July 2008.

Members of the Committee present were: Paul F. Winkelmann (Chairman), Clement Chan (Deputy Chairman), Raphael Ding (Deputy Chairman), Chan Tak Shing, James Fawls, Wilson Fung, Paul Hebditch, Caron Hughes, Nelson Lam, Li Kwok Tso, William Lim, Gladie Lui, Tommy Tam, Eymon Tsang and Roland Wong.

Observer present was: PM Kam (Institute's representative on IASB Standards Advisory Council)

Staff present were: Steve Ong, Selene Ho, Florence Wong, Winnie Chan, Ben Lo and Phoebe To.

The Committee discussed the following items:

1. IASB Standards Advisory Council – progress report
2. Proposed Amendments to HKFRS 1 and HKAS 27 – *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
3. Proposed Amendments to HKFRSs arising from IASB Annual Improvements Project
4. Proposed HK(IFRIC) Interpretation 15 *Agreements for the Construction of Real Estate*
5. Proposed HK(IFRIC) Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
6. Invitation to Comment on IASB Exposure Draft of *An improved Conceptual Framework for Financial Reporting: Chapter 1: The Objective of Financial Reporting and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information.*
7. Invitation to Comment on IASB Discussion Paper on *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity*
8. IASB Discussion Paper on *Preliminary Views on Amendments to IAS 19 Employee Benefits*
9. Updated comparison between HKFRSs and IFRSs
10. Proposed HKFRS/IFRS Forums

1. IASB Standards Advisory Council – progress report

Mr. PM Kam, the Institute's representative attended the IASB Standards Advisory Council meeting held on 23 - 24 June 2008. He provided a brief verbal report on the items discussed during the meeting which included the following:

- Off balance sheet concerns – the projects on consolidation and derecognition;
- Expert advisory panel - set up to formulate additional guidance on the valuation and disclosure of financial instruments in inactive markets;
- Review of IFRS 7 *Financial Instruments: Disclosures* - to assess its effectiveness in ensuring entities disclose information that reflects their exposure to risk and any potential losses arising from financial instruments with the off-balance sheet entities with which they are involved;
- Update of progress of the MoU with the US FASB;
- New agenda items on the IASB Work Plan – adding projects to the IASB's active agenda on Liabilities and Equity, and Derecognition; and

- Proposals on public accountability
 - to set up a Monitoring Group comprising representatives from regulatory and other official bodies generally charged with the establishment and enforcement of financial reporting standards to ensure the Trustees are fulfilling their constitutional obligations.
 - to increase IASB members from 14 to 16.
 - to change the SAC membership structure so that members would serve primarily as representatives of organisations.

2. Proposed Amendments to HKFRS 1 and HKAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The Committee agreed to recommend Council to approve the issue of the proposed amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* and HKAS 27 *Consolidated and Separate Financial Statements*, which are converged with its international equivalent, with effect for annual periods beginning on or after 1 January 2009 (with earlier application permitted) without modification.

3. Proposed Amendments to HKFRSs arising from IASB Annual Improvements Project

The Committee agreed to recommend Council to approve the issue of the Hong Kong equivalent of the amendments to IFRSs arising from the IASB's Annual Improvements Project with the same effective date without modification.

4. Proposed HK(IFRIC) Interpretation 15 Agreements for the Construction of Real Estate

The Committee was requested to consider the issuance of the Hong Kong equivalent with the same effective date as IFRIC Interpretation 15 (i.e. annual periods beginning on or after 1 January 2009) and the withdrawal of HK-Int 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties* by circulation.

5. Proposed HK(IFRIC) Interpretation 16 Hedges of a Net Investment in a Foreign Operation

The Committee was requested to consider the issuance of the Hong Kong equivalent with the same effective date as IFRIC Interpretation 16 (i.e. annual periods beginning on or after 1 October 2008) by circulation.

6. Invitation to Comment on IASB Exposure Draft of An improved Conceptual Framework for Financial Reporting: Chapter 1: The Objective of Financial Reporting and Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information.

The Committee approved the issuance of the draft Invitation to Comment and agreed that the Institute should prepare a submission, given the importance of the Exposure Draft, the objective of which is to develop an improved conceptual framework that provides a sound foundation for developing future financial reporting standard.

7. **Invitation to Comment on IASB Discussion Paper on Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Reporting Entity**

The Committee approved the issuance of the draft Invitation to Comment and agreed that a submission would be prepared if comments are received from stakeholders.

8. **IASB Discussion Paper on Preliminary Views on Amendments to IAS 19 Employee Benefits**

The Committee agreed that no submission would be prepared for the Discussion Paper given the issues noted are not expected to have a significant impact in Hong Kong, unless comments are received from stakeholders.

9. **Updated comparison between HKFRSs and IFRSs**

The Committee approved an updated comparison table between HKFRSs and IFRSs as at 1 July 2008 which is to be posted on the HKICPA website.

10. **Proposed HKFRS/IFRS Forums**

The Committee noted that the IASB would hold several meetings in China in the last quarter of the year and agreed that the Institute should consider inviting members of the IASB to take part in the above forums.

Date of Next Meeting

The Committee agreed to hold its next meeting on 2 September 2008.

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>.

The Committee welcomes comments on its technical agenda. Please e-mail us at: commentletters@hkicpa.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.