



Minutes of the 186th meeting of the Financial Reporting Standards Committee held on Wednesday, 6 October 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) – represented by Ms. Wincey Lam
Mr. Stephen Chan
Mr. Colin Chau
Mr. Raphael Ding
Mr. Paul Hebditch
Ms. Caron Hughes
Ms. Susanna Lau
Mr. William Lim
Mr. Paul Phenix
Ms. Shelley So

In attendance: 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. James Fawls, Miss Fanny Hsiang, Ms. Kelly Kong and Mr. Allen Leung.

	<u>Action</u>
<p>1. <u>Welcome to a new member and minutes of the 185th meeting</u></p> <p>The Chairman welcomed Ms. Shelley So as a new member of the Committee.</p> <p>The minutes of the 185th meeting were approved by the Committee and signed by the Chairman.</p>	
<p>2. <u>Consultation Paper on Companies Ordinance Rewrite relating to Accounts and Audit</u></p> <p>The Committee considered the issue of whether the existing qualifying criteria for SME in the Companies Ordinance are appropriate. In response to the request of the Committee, the Standard Setting Department had carried out a research on the size criteria of SME in other jurisdictions such as the PRC, United Kingdom and Singapore. After considering the research carried out by the Standard Setting Department and information of the recent Standing Committee on Company Law Reform (SCCLR) meeting, the Committee generally agreed to maintain the existing qualifying criteria for SME and would prefer the Companies Ordinance, instead of stating the limit, to simply refer to the qualifying criteria set out in the SME-FRF issued and, where appropriate updated by the Institute so as to provide greater flexibility to changes in economic circumstances.</p> <p>The Committee also requested the Standard Setting Department to consider public consultation on the qualifying criteria for SME when the re-exposure of the proposed consolidated financial statements and cash flow statements for the SME-FRS is ready.</p>	SS Dept.

3. **Report on the National Standard Setters Meeting and the World Standard Setters Meeting**

The Chairman and the Director of Standard Setting attended the National Standard Setters (NSS) Meeting held on 18 to 19 September in Rome and the World Standard Setters (WSS) Meeting in London on 20 to 21 September.

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

- Progress of US convergence with IFRSs
- XBRL
- IAS 41 *Agriculture* – accounting treatment of bearer biological assets and consumable biological assets
- Corporate Income Taxes
- IASB/FASB Conceptual Framework: The Unit of Account
- Business Combinations Under Common Control

In addition, the Chairman and the Director of Standard Setting also briefed the Committee on the progress of various IASB projects that had been reported during the WSS Meeting, such as projects on Leases, Revenue Recognition and Insurance Contracts.

4. **Report on the Asian-Oceanian Standard-Setter Group Meeting**

The Chairman and the Director of Standard Setting attended the Asian-Oceanian Standard-Setter Group (AOSSG) Meeting held on 29 to 30 September in Tokyo.

The Chairman and the Director of Standard Setting briefed the Committee on the latest developments and the discussion summary of the following four subjects:

- Overview and modified strategy and work plan
- Financial instruments
- Revenue recognition
- Leases

The Chairman reported that he had proposed to the Chairman of the AOSSG that the Institute would be prepared to take up the role as the project leader on IFRS for SME to assist other AOSSG members, given that Hong Kong was the first jurisdiction in AOSSG to have issued the standard. The Chairman requested continued support from members and experts in their organizations to ensure that the Institute can play bigger roles in AOSSG projects in 2011/12.

5. **IASB Consultation Documents**

(a) **IASB ED of *Deferred Tax: Recovery of Underlying Assets (Proposed Amendments to IAS 12)***

The Committee agreed that this exposure draft would be considered by the Income Taxes Working Group.

- (b) IFRS Foundation Consultation Document of the Annual Improvements Process: Proposals to amend the Due Process Handbook for the IASB

The Committee agreed to prepare a submission.

- (c) International Valuation Standards Board Discussion Paper on *Valuation Uncertainty*

Given that the subject would be in relation to the field of valuation, the Committee agreed to invite the Valuation Working Group to prepare a submission.

6. **IASB ED of Proposed Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income (OCI)**

The Committee considered the revised draft submission which included additional comments received from members. It was noted that the majority of the Committee considered that it is premature for the IASB to eliminate the two-statement option before a thorough conceptual consideration of the purpose of OCI. The Committee approved the draft submission.

[Post meeting note: The Institute's submission was forwarded to the IASB on 6 October and can be viewed at:

http://www.hkicpa.org.hk/file/media/section6_standards/standards/Financia/Reporting/submission-pdf/2010/sub-oci.pdf

There being no further business, the meeting closed at 10:20 a.m.

CLEMENT CHAN
CHAIRMAN

6 October 2010