



Minutes of the 194th meeting of the Financial Reporting Standards Committee held on Wednesday, 13 July 2011 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. Colin Chau
Mr. Raphael Ding
Mr. James Fawls
Mr. Paul Hebditch
Ms. Elsa Ho
Ms. Caron Hughes
Ms. Kelly Kong
Ms. Susanna Lau
Mr. Allen Leung
Mr. William Lim
Mr. Paul Phenix
Ms. Shelley So (represented by Nigel Dealy)
Ms. Florence Wong

In attendance: Mr. PM Kam, Institute's representative on IFRS Advisory Council (for Item 1 only)
Mr. Steve Ong, Director, Standard Setting
Ms. Winnie Chan, Manager, Standard Setting
Mr. Ambrose Wong, Manager, Standard Setting

1. **Report on IFRS Advisory Council Meeting on 20th and 21st June 2011**

Action

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

(i) Update on IASB Activities

Sir David Tweedie briefed the IFRS Advisory Council on the progress of various key IASB projects such as leases, revenue recognition, financial instruments and insurance contracts. The members of the IFRS Advisory Council generally felt that good progress has been made and welcomed the decision of re-exposing the revenue recognition proposals.

(ii) SEC Update

The SEC staff reported that the Commission still expects to make a determination on IFRS for domestic issuers in 2011. FASB issued a staff paper in May proposing to incorporate IFRSs into US GAAP according to an endorsement protocol. The endorsement protocol would provide the Commission and the FASB the ability to modify or supplement IFRS when it is in the public interest and necessary for the protection of investors. The staff paper has not been deliberated by the Commission.

(iii) Post-2011 agenda

The Agenda Consultation would be launched in July with a minimum 120 day comment period. Publication of the comment summary and Feedback Statement would take place in the first and second quarter of 2012. The IFRS Advisory Council would have an opportunity to discuss the results of the consultation in its February meeting.

(iv) Use of underlying earnings and non-GAAP measures

The IASB might conduct research into the nature and extent of the use of non-GAAP measures. This topic will be referred to the Agenda Committee for consideration.

(v) Monitoring Board review and Trustees' strategy review

The Monitoring Board expects to issue its final report in August in close coordination with the Trustees' strategy review. The IFRS Advisory Council was advised that there is general support for the current three-tier governance structure. However, the members of IFRS Advisory Council generally object to the Monitoring Board having an influence on or being able to add items to, the IASB agenda, because this might impair the IASB's independence. There were also strong objections to the proposal that the Monitoring Board should have a larger role in the appointment of the IASB Chair.

2. **Minutes of the 193rd meeting**

The minutes of the 193rd meeting were approved by the Committee and signed by the Chairman.

3. **Issuance of amendments to HKFRSs**

The Committee approved the issue of the Hong Kong equivalent of the following amendments and revised IFRSs with the same effective date without modification:

- (i) Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
- (ii) IAS 19 (2011) *Employee Benefits*

[Post meeting note: The above were issued on 14 July 2011 under Members' Handbook Update 107 which can be accessed at: http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update107.pdf]

4. **Enquiry from the Companies Bills Team**

The Committee noted that an enquiry was received from the Standard Setting Department in relation to the drafting of the section concerning "applicable accounting standards" under Part 9 of the Companies Bill.

The majority of the Committee agreed that the wording to be used in the revised Companies Ordinance should be consistent with that in the Professional Accountants Ordinance. The Committee requested the Standard Setting Department to prepare a letter to the Companies Bills

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Team based on the comments received at the meeting for the consideration of the Committee by circulation.

5. Submission on IFRS Foundation Trustee Strategy Review

The Committee considered the draft submission prepared by the Standard Setting Department and had a number of improvement suggestions. The Standard Setting Department was requested to revise the draft submission based on the comments received at the meeting. Given that the Strategy Review submission is not purely technical and had strategic issues for consideration, the proposed submission should be submitted to Council for approval at its meeting on 19 July.

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[Post meeting note: The submission was approved by Council at its meeting on 19 July 2011]

6. Visit of new IASB chairman Hans Hoogervorst

The Standard Setting Director reported that the new IASB chairman, Hans Hoogervorst, together with IASB member Zhang Wei-Guo, will be visiting Hong Kong on 28 and 29 July 2011 and will participate in a roundtable and financial reporting forum hosted by the Institute to share his views and thoughts on how to lead the IASB into a second decade of success. Members are encouraged to join in the roundtable discussions.

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7. AOSSG questionnaire in relation to Islamic Finance

The Committee noted that the AOSSG Islamic Finance Working Group is undertaking a survey to determine the prevalence of Islamic accounting standards among Asian-Oceanian standard-setting jurisdictions. Generally, it was agreed that Islamic finance is not common in Hong Kong. The Committee requested the Standard Setting Department to complete the questionnaire based on the comments received at the meeting.

8. Comparison between HKFRSs and IFRSs as at 30 June 2011

The Committee approved the comparison table to be posted on the HKICPA website.

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9. Matters related to AOSSG

The Chairman reported that a teleconference meeting of the AOSSG Advisory Committee was held on 11 July 2011 discussing the criteria and processes for appointment of an AOSSG Vice Chair and Chair. No conclusion had been reached at the meeting on the length of the period of service and the process for election of the Vice Chair. The Advisory Committee agreed to continue the discussion at the November annual conference.

In addition, the Committee noted that the Australian Accounting Standards Boards (AASB) proposed to conduct research in the area of discounting requirements across IFRSs and invited the Institute to co-lead the project. In order to show our support to the AOSSG activities, the Committee agreed to work in collaboration with AASB and suggested the Standard Setting Department to explore opportunity to involve experts from universities in the research.

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10. Mandatory effective date of IFRS 9

The Committee noted that the IASB will be discussing the mandatory effective date of IFRS 9 at the IASB's July meeting and ratified the letter approved by circulation that was sent to the IASB on 5 July 2011 expressing the Institute's support for the deferral of the effective date of IFRS 9 to 1 January 2015 for the following reasons:

- a) although IFRS 9 was issued in Hong Kong as HKFRS 9, this was done as a matter of course in accordance with the Institute's IFRS adoption policy, rather than as an expression of support for a piecemeal approach to replacing IAS 39;
- b) the Institute strongly agrees with the views set out in the IASB staff paper to defer the effective date and does not find the arguments for not deferring sufficiently compelling;
- c) experience in practice has shown that there is no appetite from constituents in Hong Kong to adopt IFRS 9 piecemeal and instead there is increasing concern over the confusion that such an approach may cause; and
- d) the Institute expects that a deferral until the project is properly complete will be widely welcomed by Hong Kong constituents, especially now it is clear that the implementation focus in 2013 should be on the consolidations, joint arrangements and fair value measurement standards.

11. Request for view from IFRS Interpretations Committee

The Committee was advised that the IFRS Interpretations Committee was seeking views on a request for clarification of whether the presumption of manner of recovery of investment property set out in IAS 12.51C can be rebutted under IAS 12 *Income Taxes* if and only if it is in the circumstance described in IAS 12.51C, or whether the presumption can be rebutted in circumstances other than those described in IAS 12.51C.

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The Committee considered the request and had a number of comments. The Standard Setting Department was requested to prepare a response to the IFRS Interpretations Committee based on the comments received at the meeting for the consideration of the Committee by circulation.

[Post meeting note: The Standard Setting Department replied the request of the IFRS Interpretations Committee on 29 July 2011 with the view that the presumption set out in IAS 12.51C can be rebutted in circumstances other than those described in paragraph 51C.]

There being no further business, the meeting closed at 10:30 a.m.

CLEMENT CHAN
CHAIRMAN

20 July 2011