



Minutes of the 228th meeting of the Financial Reporting Standards Committee held on Tuesday, 22 March 2016 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.

Members present: Ms. Shelley So (Chairman), PricewaterhouseCoopers  
Mr. Ernest Lee (Deputy Chairman), Ernst & Young  
Ms. Grace Chan, Government of HKSAR, Treasury  
Mr. James Fawls, HSBC  
Ms. Candy Fong, Deloitte Touche Tohmatsu  
Ms. Kelly Kong, Jardine Matheson & Co., Limited  
Ms. Susanna Lau, Securities and Futures Commission  
Mr. Steve Ong, Stock Exchange of Hong Kong Limited  
Mr. Paul Phenix, Baker Tilly Hong Kong Limited  
Mr. Gary Poon, Poon & Co.  
Mr. Gary Stevenson, RSM Nelson Wheeler  
Ms. Sanel Tomlinson, KPMG  
Ms. Florence Wong, Financial Reporting Council  
Mr. Guochang Zhang, The Hong Kong University of Science and Technology

Staff in attendance: Ms. Christina Ng, Head of Financial Reporting, Standard Setting  
Ms. Winnie Chan, Associate Director, Standard Setting  
Ms. Kam Leung, Associate Director, Standard Setting  
Ms. Eky Liu, Associate Director, Standard Setting  
Ms. Katherine Leung, Manager, Standard Setting

Apologies: Mr. Gary Biddle, The University of Hong Kong  
Mr. Simon Riley, BDO Limited

**1. Welcome new members**

The Chairman welcomed Ms. Grace Chan and Mr. Gary Poon as new members of the Committee.

**2. Minutes of the 227th meeting**

The Committee approved and the Chairman signed the minutes of the 227th meeting.

**3. Planning and strategy**

The Committee noted the scope and process of standard-setting including the Institute's involvement in domestic and international activities.

The Committee considered and agreed with Standard Setting Department (SSD) that:

- working groups should be renamed as project advisory panels; and
- the proposed terms of reference is appropriate. The Committee also decided that the SSD should be the convenor of Panel meetings, the composition of Panels should be broad enough to cover a wide range of perspectives, and the size of Panels should be maintained at a level that is effective and efficient.

Action

#### 4. **SSD's proposed project plans**

The Committee considered and broadly agreed with the proposed project plans that were prepared by SSD to meet the agreed FRSC strategic plan formulated at the February 2016 FRSC meeting. The plans include:

- commencing research on:
  - business combinations under common control (BCUCC) with an aim of developing principles for the accounting of these transactions, and improving the Institute's Accounting Guideline 5 *Merger Accounting for Common Control Transactions*. The plan is also to provide input on the IASB's own BCUCC project;
  - financial instruments with characteristics of equity (FICE) with an aim of developing conceptual justifications for classifying a financial instrument as liability or equity, and consequently address the current accounting issues in practice if possible. The plan is also to provide input on the IASB's own FICE project; and
- undertaking more/extended outreach to understand implementation, auditing and enforcement issues as well as investor information needs on fair value accounting, goodwill and impairment accounting, and effective reporting/disclosures.

Timing of the projects was raised as a concern considering the level of SSD resources. The Committee was reminded that any introductions to industry or topic experts related to the projects would facilitate the SSD's progress on the projects.

The Committee will be updated for any significant changes to the project plans and when a significant milestone has been achieved.

Details of the FRSC's broad strategic plan are available from the minutes of the February 2016 FRSC meeting ([http://www.hkicpa.org.hk/file/media/section6\\_standards/standards/FinancialReporting/frsc/2016/227.pdf](http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/frsc/2016/227.pdf)).

#### 5. **Accounting treatment in practice on the classification of convertible bonds denominated in foreign currency**

At the December 2015 FRSC meeting, the Committee noted an issue of relevance to issuers that have Hong Kong Dollar (HKD) functional currency on the classification of convertible bonds denominated in United States Dollar (USD) (given the long-standing and fairly tight peg of HKD to USD). The Committee had requested the SSD to consider ways to deal with this issue.

SSD

Certain members of the Committee considered that the issue would involve judgement as to whether the instrument meets the fixed-for-fixed requirements under IAS 32 *Financial Instruments: Presentation*. The Committee requested the SSD to perform further research on the pervasiveness of the issue in Hong Kong for further consideration.

**6. Update on recent developments in the IASB projects**

The Committee noted recent developments at the IASB, in particular:

- the IASB has restructured its operations to strengthen its implementation and adoption, interpretation and education strategy by forming a dedicated team that focuses on responding to these needs;
- the IASB has created a Financial Reporting Initiative work stream, which incorporates existing projects on Disclosure Initiative, IFRS Taxonomy and Primary Financial Statements, as well as a new area of work 'Corporate Reporting'; and
- the IASB and IFRS Interpretation Committee's recent technical deliberation.

**7. Update on SSD's activities on Business Combinations Under Common Control**

The Committee noted SSD's activities on the BCUCC project, including its plans to undertake a post-implementation review of Accounting Guideline 5 *Merger Accounting For Common Control Transactions* (AG 5) by mid-2016. The Committee also noted that the SSD will continue its research on pre-IPO and post-IPO BCUCC that will complement the post-implementation review on AG 5.

SSD &  
advisory  
panel

Due to the non-urgent nature of the remainder of the agenda, the Committee decided to carry forward the agenda items on SSD's activities in relation to insurance, HKFRS 15 *Revenue from Contracts with Customers*, the Companies Ordinance and the China convergence project to the next FRSC meeting. The meeting closed at 11:00 a.m.

SHELLEY SO  
CHAIR

24 March 2016