



Minutes of the 232nd meeting of the Financial Reporting Standards Committee held on Tuesday, 18 October 2016 at 8:45 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
Mr. Gary Biddle, The University of Hong Kong
Ms. Candy Chu, Government of HKSAR, Treasury
Mr. James Fawls, HSBC (represented by Elaine Chan)
Ms. Candy Fong, Foremost Advisers Ltd
Ms. Kelly Kong, Jardine Matheson & Co., Limited
Ms. Susanna Lau, Securities and Futures Commission
Mr. Steve Ong, Stock Exchange of Hong Kong Limited (Dial-in)
Mr. Gary Poon, Poon & Co.
Mr. Simon Riley, BDO Limited
Ms. Sanel Tomlinson, KPMG

Staff in attendance: Ms. Christina Ng, Director, Standard Setting
Ms. Winnie Chan, Associate Director, Standard Setting
Ms. Kam Leung, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Ms. Eky Liu, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Ms. Winnie Chan, Associate Director, Technical and Learning Support

Apologies: Mr. Paul Phenix, Baker Tilly Hong Kong Limited
Mr. Gary Stevenson, RSM Nelson Wheeler
Ms. Florence Wong, Financial Reporting Council
Mr. Guochang Zhang, The University of Hong Kong

1. **Minutes, work program and approvals out of session**

The Committee approved and the Chairman signed the minutes of the 231st meeting.

The Committee noted the developments outlined in the FRSC and Standard Setting Department's (SSD) work program and liaison log.

2. **IASB ED/2016/1 Definition of a Business and Accounting for Previously Held Interests**

The committee noted the Business Combinations and Reporting Entity Advisory Panel's concerns with the proposed amendments on the definition of a business and other comments on the accounting for previously held interests in ED/2016/1.

The Committee considered and supported SSD comments on IASB ED/2016/1 which reflected on the Advisory Panel's comments and overall usefulness of the respective proposed amendments. Accordingly, the Committee requested SSD to finalise the Institute's submission based on the agreed direction for approval out-of-session.

Action

SSD

3. **International Valuation Standards Council (IVSC) Exposure Drafts (ED)**

The Committee considered the staff and Valuation Advisory Panel's comments on the following IVSC EDs:

- IVS 101 *Scope of Work*
- IVS 102 *Investigation and Compliance*
- IVS 103 *Reporting*
- IVS 200 *Businesses and Business Interests*
- IVS 300 *Plant and Equipment*
- IVS 400 *Real Property Interests*
- IVS 410 *Development Property*
- IVS 500 *Financial Instrument*

The Committee noted the nature of the comments relate mainly to requests for additional discussion/guidance in IVS to assist valuers in specific circumstances and no inconsistency between IFRS/HKFRS and IVS was noted. The Committee also noted that SSD has informally shared the Panel's comments with IVSC staff via email for information. The Committee therefore supported SSD's recommendation not to comment on these IVSC EDs as the impact of the proposed IVS on financial reporting are expected to be minimal.

Furthermore, the HKICPA has communicated its main concerns on the IVSC EDs in general when it formally responded to the IVSC EDs in April 2016.

The Committee also supported SSD's proposed process and policy for deciding whether to comment on IVSC's future EDs.

The process is to seek the views of the Advisory Panel before the FRSC considers the need to comment.

The Policy for commenting is if:

- the IVS would negatively impact the quality of financial reporting;
- the guidance between IFRS and IVS are inconsistent; and
- the Advisory Panel's comments, if any, are pertinent to the IVS.

4. **Insurance Contracts**

The Committee noted the IASB's decisions on the forthcoming insurance contracts standard and the Hong Kong preparers' and practitioners' concerns, particularly relating to the level of aggregation, the variable fee approach and the contractual service margin for non-participating contracts.

The Committee considered and agreed with SSD's recommendation to write a letter to the IASB to reconsider the tentative requirements on the level of aggregation provided that the HKICPA can provide recommendations on how to improve the tentative decisions, additional outreach is conducted with other Hong Kong-listed insurance companies, and if our investor stakeholder supports the concern raised by insurance companies and practitioners. The letter, if any, will be considered at the next FRSC meeting.

5. Report on recent standard-setting meetings

The Committee noted key developments arising from the following international meetings, at which the Chairperson and SSD Director participated in.

- Asia-Oceania Standard-Setters Group Interim Meeting
- World Standard-Setters Meeting
- International Forum of Accounting Standard-Setters Meeting
- Accounting Standards Advisory Forum Meeting
- Informal meetings with IASB staff to discuss SSD's research progress on Business Combinations under Common Control, Financial Instruments with Characteristics of Equity, as well as, how the SSD can work together with the Investor Education Team.

There being no further business, the meeting closed at 11:00 a.m.

SHELLEY SO
CHAIR

19 October 2016