



Minutes of the 266th meeting of the Financial Reporting Standards Committee held on Tuesday, 7 September 2021 at 8:30 a.m. via videoconference.

Members present: Mr. Ernest Lee (Chairman), Deloitte Touche Tohmatsu
Mr. Gary Stevenson (Deputy Chairman), RSM Hong Kong
Ms. Kathryn Ashley, HSBC
Mr. Choy Kai Sing, Asia Metro Ltd and own-name practice
Ms. Candy Fong, Foremost Advisers Ltd
Mr. Park Kwok, HLB Hodgson Impey Cheng Limited
Mr. Kenneth Lau, Crowe (HK) CPA Limited
Mr. Joe Ng, Ernst & Young
Mr. Ghee Peh, IEEFA
Mr. Richard Poon, AIA Group
Mr. Jim Tang, KPMG
Mr. William Wong, Stock Exchange of Hong Kong Limited
Mr. Guochang Zhang, The University of Hong Kong
Ms. Lisa Zhang, PricewaterhouseCoopers

Staff in attendance: Ms. Cecilia Kwei, Director, Standard Setting
Mr. Tiernan Ketchum, Deputy Director, Standard Setting
Mr. Norman Chan, Associate Director, Standard Setting
Ms. Carmen Ho, Associate Director, Standard Setting
Ms. Joni Kan, 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

Apologies: Ms. Vincyy Lai, Jardine Matheson & Co., Limited
Ms. Susanna Lau, Securities and Futures Commission

Action

1. Minutes, work program and liaison log

The Committee approved the minutes of the 265th meeting.

The Committee noted the developments outlined in the FRSC and SSD work program, minutes of Hong Kong Insurance Implementation Support Group meeting on 11 August, and the liaison log.

2. Request for Information on the IASB's Third Agenda Consultation (RFI)

Update on comment letters received

The Committee received an update on the additional comment letters received since the July 2021 FRSC meeting. The Committee considered the comments received and agreed with the SSD staff analysis on these comments.

Draft submission on the RFI

The Committee received, and was invited to comment on, the Institute's draft submission to the IASB's RFI. Committee members did not have any further comments on the draft submission beyond minor drafting comments, and approved the submission for issuance.

[Post-meeting note: The Institute's comment letter was submitted to the IASB on 13 September 2021.]

3. **ED/2021/7 Subsidiaries without Public Accountability: Disclosures**

The Committee received an update on the SSD's project related to the IASB's Exposure Draft for the new IFRS Standard *Subsidiaries without Public Accountability: Disclosures* (ED). SSD staff presented its preliminary views on the objective and scope as set out in the ED, planned outreach activities and next steps on the project. The Committee had no further comments on SSD staff views.

The Committee noted the Institute had issued an Invitation to Comment on the ED, and agreed with the SSD staff's planned outreach activities and next steps for the ED. A committee member suggested the SSD staff should invite users (e.g. those who provide financing to such subsidiaries) to the upcoming roundtable discussion on the ED.

SSD will provide an update on stakeholders' feedback and present the staff analysis and suggested draft submission at a future FRSC meeting for the Committee's consideration.

SSD

4. **ED/2021/8 Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Proposed amendment to IFRS 17)**

The Committee received an update on the proposed amendments in the ED, including feedback received from the Hong Kong Insurance Implementation Support Group, the Insurance Regulatory Advisory Panel, and the comment letters received to date. The Committee considered the feedback received and the SSD staff's preliminary views, and generally supported the proposals in the ED and staff's proposed direction. The Committee also provided some comments to be considered on the staff's preliminary views, and noted that the SSD staff will circulate a draft comment letter for the Committee to consider and approve out of session by the end of September.

SSD

[Post-meeting note: The Institute's comment letter was submitted to the IASB on 27 September 2021.]

5. **IFRIC agenda decisions**

At its prior meeting, the Committee noted SSD would summarise its outreach activities, analyses and proposed recommendations for improving the access to, and understanding of, IFRIC agenda decisions.

At this meeting, the Committee was presented with a recap on the discussions thus far as well as SSD staff analyses/ recommendations on the effect of, proposed due process for, and transition for IFRIC agenda decisions in Hong Kong. SSD staff further presented a plan for communication with stakeholders.

The Committee suggested that the Institute expose the proposed due process for acknowledging IFRIC agenda decisions under HKFRS for public consultation, and agreed that a draft of the proposed due process would be considered at a future FRSC meeting.

SSD

6. **Capitalisation of in-process research and development expenditure**

The Committee received an update on the actions taken by SSD staff regarding the accounting for in-process research and development

(IPR&D) costs subsequent to its July meeting, and considered SSD staff's proposed next steps.

The Committee noted that SSD staff reached out to the staff of Ministry of Finance of the People's Republic of China (MoF) to inform them of the diversity in practice on the accounting for separately acquired IPR&D in Hong Kong, and to understand whether there are similar issues in Mainland China, and how companies are accounting for the IPR&D costs in a given fact pattern.

The Committee also noted that SSD staff had a video conference with IASB staff to seek their views on how to interpret the related recognition requirements in IAS 38 *Intangible Assets* with reference to the fact pattern provided, and whether it would be appropriate to bring this matter to the IFRS Interpretations Committee (IC).

IASB staff noted that the recognition criteria in IAS 38 *Intangible Assets* are clear for separately acquired intangible assets. IAS 38.25 specifies how the principle in IAS 38.21 is to be applied to a separately acquired intangible asset; i.e. the probability criterion in IAS 38.21(a) is always considered to be satisfied for separately acquired intangible assets. IASB staff elaborated that as explained in IAS 38.BC27, such conclusion about the role of probability in the recognition of intangible assets is consistent with the one for intangible assets acquired in business combinations. This is because the price an entity pays to acquire separately an intangible asset normally reflects expectations about the probability that the expected future economic benefits associated with the intangible asset will flow to the entity. In other words, the effect of probability is reflected in the cost of the intangible asset.

Based on the conversation with staff of IASB, and the SSD staff's analysis, the Committee considered and agreed with SSD staff's recommendation not to write to the IC on the accounting for separately acquired IPR&D. As for the difference in the recognition criteria for separately acquired and internally developed intangible assets, this comment will be included in the Institute's submission on the Request for Information on the IASB's Third Agenda Consultation, with a recommendation that the IASB to perform a comprehensive review of IAS 38 to consider such differences.

SSD

7. Annual Accounting Update

The Committee provided recommendations for the 2021 Annual Accounting Update conference, scheduled to take place on 13 November 2021 via webinar. The Committee suggested that the conference should cover some recent popular and upcoming topics, e.g. cryptocurrencies, special purpose acquisition companies, climate change and sustainability reporting, in addition to traditional topics such as application issues on certain HKFRS Standards and newly or not yet effective standards.

8. Other business

Administrative matter

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting no later than 15 working days prior to the meeting date.

It was noted that the next meeting was scheduled on 21 October 2021.

There being no further business, the meeting closed at 12:00 p.m.

12 October 2021

ERNEST LEE
CHAIR