

Communiqué – November 2014

The Asian-Oceanian Standard-Setters Group (AOSSG) held its sixth annual meeting on 26 and 27 November 2014 at the Hong Kong Institute of Certified Public Accountants (HKICPA), Hong Kong. The meeting was hosted by the HKICPA and attended by 18 member standard-setters as well as representatives of the International Accounting Standards Board (IASB) and the IFRS Foundation.

The participating jurisdictions were Australia, Brunei, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Macao, Malaysia, Nepal, New Zealand, Pakistan, Singapore, Sri Lanka, Syria and Vietnam.

Mr. Clement Chan, Chair of the AOSSG and President of the HKICPA, and Dr. Jee In Jang, Vice-Chair of the AOSSG and Chair of the Korea Accounting Standards Board (KASB), welcomed delegates to the meeting.

At the opening ceremony, Sir C.K. Chow, Chairman of the Hong Kong Exchanges and Clearing Limited, provided the keynote address. He stressed the importance of the development of a single global set of financial reporting standards in the development of a global market economy and expressed appreciation for the efforts of the AOSSG and the HKICPA in the growth of IFRS in the region.

The IASB was represented at the meeting by the Chairman, Mr. Hans Hoogervorst, Board members, Mr. Chungwoo Suh and Mr. Takatsugu Ochi, and Technical Director, Mr. Henry Rees. Mr. Mitsuhiro Takemura and Ms. Grace Leung, respectively the Director and Practice Fellow of the IFRS Foundation Asia-Oceania Regional Office in Tokyo, also attended the meeting.

On behalf of the IASB, Mr. Ochi expressed appreciation for the ongoing efforts of the AOSSG in promoting IFRS throughout the Asian-Oceania region and enhancing the contributions from the region to the IASB's due process.

Update and discussion on IASB projects

Mr. Rees, Mr. Ochi and Mr. Suh provided an update on recent activities, including in particular, issuance of final standards of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, progress on the Leases, Insurance Contracts, Macro Hedging, Conceptual Framework, post-implementation review of IFRS 3 *Business Combinations* and the IASB research projects.

Conceptual Framework

The meeting discussed issues arising from the IASB's recent tentative decisions made in the course of redeliberating the feedback received on its Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*, including:

- whether the definitions of asset and liability are sufficiently precise;
- whether the recognition threshold is sufficiently robust in determining whether an item that meets the definition of an asset or a liability should be recognised in the financial statements;

- how to identify a relevant measurement basis for an asset and a liability recognised in the financial statements;
- whether amounts presented in the other comprehensive income should be recycled, and if so, whether it should apply in all circumstances; and
- what are the major considerations in distinguishing liabilities from equity.

Leases

The meeting discussed key outstanding topics in the Leases project that are to be redeliberated by the IASB, including the definition of a lease and small-asset leases exemption for lessees. Members also discussed their concerns on the differences in the tentative decisions reached by the IASB and the US Financial Accounting Standards Board.

Insurance Contracts

The meeting discussed key AOSSG issues arising from the IASB's recent deliberations on the insurance contracts project, in particular, the practical issues relating to transition requirements for contracts with no participating features and accounting for contracts with participating features. The meeting also discussed the alternative model for accounting for contracts with participating features proposed by the European Insurance CFO Forum.

Islamic Finance

The meeting noted the activities of the AOSSG Islamic Finance Working Group, in particular, the findings of the Working Group's study of 132 Islamic financial institutions around the world and the financial reporting framework in those entities' jurisdictions. The study further analysed the different accounting treatments of three common Islamic financial transactions: lessor accounting, classification of customer investment accounts and recognition and measurement of finance income.

Members considered that it was important to establish why an authority would impose differential requirements and concluded that future outreach to government ministries, central banks and securities regulators may be necessary to promote the use of IFRS by Islamic financial institutions.

Disclosure Initiatives

The meeting discussed the IASB's tentative decisions in relation to the Principles of Disclosures project, including:

- whether the respective roles of the primary financial statements and the roles of the notes should be clarified;
- whether entities should use judgement to determine which accounting policies should be more prominent;
- whether additional standards-level guidance regarding the disclosure of non-IFRS information should be developed; and
- whether a general principle of cross-referencing from financial statements to other types of reports is necessary.

Rate-regulated Activities

The meeting discussed the IASB's Discussion Paper *Reporting the Financial Effects of Rate Regulation*, including:

- what types of information about the financial effects of rate regulation is most relevant to users of financial statements in making investment and lending decisions;
- what kinds of rate regulation in the Asia-Oceania region should be considered; and
- whether and, if so, how IFRS should be amended to provide relevant information in IFRS financial statements, considering the various rate regulation schemes around the world.

Equity Method of Accounting

The KASB presented its research report on the equity method of accounting. The meeting discussed current accounting issues on the equity method and the KASB's proposed alternatives for accounting for equity-invested entities.

IASB members expressed their appreciation for the research paper and requested that AOSSG members' views on the issues be provided to the IASB staff.

Application issues in relation to Consolidated Financial Statements

The meeting discussed an application issue in Hong Kong in relation to IFRS 10 *Consolidated Financial Statements*, in particular, the consolidation exemption condition set out in IFRS 10.4(a)(iv). The IASB noted the issue, which is now on the 'requested agenda items' for consideration for future IASB projects.

Emission Trading Scheme

The KASB provided an overview of the emission trading scheme in Korea and the accounting issues that KASB identified in its development of a Korean accounting standard that deals with the scheme.

The KASB believes that there is a need for the IASB to consider those accounting issues as part of its research project.

Members discussed matters relating to the progress of the IASB's Emission Trading Scheme project, and a range of accounting issues.

IFRS in the Region

AOSSG members from Japan, Indonesia, Sri Lanka and India provided updates on the progress of adopting IFRS in their respective jurisdictions.

Building regional capacity – pilot IFRS Centre of Excellence

Members noted the progress of the AOSSG's pilot IFRS Centre of Excellence (COE) project in Nepal, including a review of the standard-setting capacity, and reports on the June 2013 and November 2014 IFRS Train-the-Trainer (TTT) programs in Kathmandu.

Members also noted that the AOSSG Working Party will continue monitoring the IFRS adoption progress in Nepal and advising on strategic standard-setting matters before concluding the initiative, most likely in 2015.

The Accounting Standards Board of Nepal provided an update on the progress of adopting IFRS in Nepal, including its transition plan, a preliminary strategic plan and feedback on the pilot IFRS COE, and thanked member jurisdictions from Australia, India, Korea and Malaysia for providing presenters for the TTT sessions.

AOSSG Strategic Plan

Members discussed key AOSSG activities planned for the next five years commencing from the 2014 Annual AOSSG Meeting, that is:

- to continue to support the IASB's due process by: (i) providing AOSSG's views through written submissions, at face-to-face AOSSG meetings and through the AOSSG's representation at the IASB's Accounting Standards Advisory Forum; and (ii) contributing to the IASB's research projects;
- to continue to reinforce and remind members of the AOSSG's commitment to a single set of global accounting standards;
- to continue to identify competent key individuals and staff to be involved in the AOSSG and provide them exposure to technical and strategic AOSSG matters;
- to continue to engage with members of IFRS Trustees, IFRS Advisory Council and IASB from the Asia-Oceania region, and staff of the IFRS Asia-Oceania office;
- to continue to assess whether further IFRS COEs in the region are feasible and necessary;
- to reach out to and support member organisations that are less active;
- to ensure local stakeholders are aware of the AOSSG and its aims; and
- to utilise the AOSSG website more effectively.

The strategic plan was approved at the meeting.

Closing remarks

Mr. Hoogervorst noted the constructive atmosphere that AOSSG members created for the meeting discussions. He recognised the contributions of the AOSSG to the development of IFRS, for example, the amendments to IAS 41 *Agriculture* and various research findings such as those discussed at the meeting, and the AOSSG's participation at the IASB Accounting Standards Advisory Forum.

Mr. Chan thanked the IASB members and staff for making themselves available for open and constructive discussions on current issues. He thanked AOSSG members for their work in preparing for the meeting and their attendance. Mr. Chan also thanked the organising team of the HKICPA for hosting the meeting.

About the AOSSG

The objectives of the AOSSG are to:

- (a) promote the adoption of, and convergence with, IFRS by jurisdictions in the region;
- (b) promote consistent application of IFRS by jurisdictions in the region;
- (c) coordinate input from the region to the technical activities of the IASB; and
- (d) cooperate with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.

Further information about the AOSSG and its Working Groups is available at AOSSG website (www.aoss.org).