

Communiqué – November 2015

The Asian-Oceanian Standard-Setters Group (AOSSG) held its seventh annual meeting on the 25th and 26th of November 2015 at the Westin Chosun Hotel, Seoul, Korea. The meeting was hosted by the Korea Accounting Standards Board (KASB) and attended by 19 member standard-setters as well as representatives of the International Accounting Standards Board (IASB) and the IFRS Foundation.

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

Mr. Clement Chan, the outgoing AOSSG Chair, and Dr. Jee In Jang, the incoming AOSSG Chair, welcomed members to the seventh Annual AOSSG Meeting. Dr Jang thanked Mr. Chan and the staff of the Hong Kong Institute of Certified Public Accountants (HKICPA) for their outstanding work during their tenure as AOSSG Chair and the Secretariat. Dr. Jang expressed his aspiration to promote IFRS and the consistent application of IFRS in the region, strengthen ties among AOSSG members and deliver members' views clearly to the IASB.

At the opening ceremony, on behalf of Mr. Jeong Chan-Woo, Vice Chairman of the Financial Services Commission (FSC) in Korea, Mr. Lee Hyun Cheol, Standing Commissioner of Securities and Futures Commission within the FSC, provided the keynote address. He encouraged AOSSG members to pursue the development of a single set of financial reporting standards, which he noted would improve accounting transparency of the global capital market.

Members then ratified the appointment of Mr. Yibin Gao, Director General of the Ministry of Finance in China, as the AOSSG Vice-Chair for a term of two years.

The IASB was represented at the meeting by the Vice-Chairman, Mr. Ian Mackintosh, Board members, Mr. Chungwoo Suh, Mr. Takatsugu Ochi and Mr. Wei-Guo Zhang. Also, Mr. Mitsuhiro Takemura and Ms. Grace Leung, respectively the Director and Practice Fellow of the IFRS Foundation Asia-Oceania Regional Office in Tokyo, attended the meeting.

Update and discussion on IASB projects

Mr. Mackintosh, Mr. Ochi, Mr. Suh and Mr. Zhang provided an update on recent activities, including the activities of IFRS Interpretations Committee and IASB research projects. They also addressed key points on the consultative documents, *Trustees' Review of Structure and Effectiveness: Issues for the Review* and *2015 Agenda Consultation*.

Insurance

The meeting discussed key issues raised by AOSSG members, including:

- the level of aggregation for measuring and amortizing contractual service margin (CSM);
- whether a three year implementation period after the publication of the IFRS 4 Phase II is deemed to be enough; and
- AOSSG Insurance Working Group's future plans after the completion of the IFRS 4 Phase II.

Conceptual Framework

The meeting discussed key points of the AOSSG's draft comment letter on the IASB's Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*, including:

- identification and classification of measurement bases;
- selection of measurement bases;
- the definition of profit or loss, and recycling of OCI;
- recognition criteria; and
- the definition of a liability.

Rate Regulation

The meeting discussed and shared views on accounting models that would appropriately reflect the financial effect of rate-regulation. In particular, the meeting shared the comments related with the illustrative examples that were already discussed at the Accounting Standards Advisory Forum (ASAF) Meeting and IASB Meeting in July 2015. Diverse views were discussed during the meeting. Also, the meeting introduced the rate-regulation environment and practice in Korea.

Disclosure Initiative

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

- an approach to the drafting of disclosure requirements which encourage proper management judgment and whether the proposed approach is appropriate;

- whether examples in the Exposure Draft of the IFRS Practice Statement *Application of materiality to financial statements* are helpful for management to decide which and how information should be disclosed; and
- whether the IASB should provide additional requirements or guidance regarding operating profit or loss disclosure.

Revenue

The meeting discussed key points of the AOSSG's comment letter on the IASB's Exposure Draft ED/2015/6 *Clarifications to IFRS 15*, including:

- the general approach proposed in the ED;
- convergence between IFRS 15 and Topic 606 of US GAAP on the condition that a high-quality principle-based standard is maintained; and
- identification of performance obligations.

Agenda Consultation

The meeting discussed preliminary views of AOSSG members on Request for Views '2015 *Agenda Consultation*', including:

- factors the IASB should consider in allocating resources to various technical projects;
- priority, relative importance and urgency of research projects addressing an addition or removal of projects and the relevance of different topics in different regions;
- IASB's current work plan for major projects;
- whether the IASB and the Interpretations Committee provide the right mix of implementation support to meet stakeholders' needs and whether that support is sufficient;
- whether the IASB's work plan as a whole delivers change at the right pace and at a level of detail that is appropriate to principle-based standard-setting; and
- whether a five year interval between agenda consultations is more appropriate than the current three year interval.

Joint research between members: Accounting judgments on terms of likelihood under IFRS

The Australian Accounting Standards Board (AASB) and the KASB presented the preliminary results of their joint research project on "Accounting judgments on terms of likelihood in IFRS: Korea and Australia". The objectives of this research are:

- to investigate whether there are differences in interpreting terms of likelihood by preparers and auditors between Korea and Australia;
- to investigate whether translation of terms of likelihood from English to Korean is consistent with the intended expressions; and
- to identify findings that highlight possible improvements that could be made to the standard-setting process to help achieve the objective of global standards.

Members discussed issues arising from terms of likelihood in IFRS including translation and a range of related issues. In addition, some members showed their interest in participating in this research project. IASB members expressed their appreciation for the joint research and considered that an expansion of this project to examine the consistency in application of IFRS across jurisdictions is important.

AOSSG Strategic Plan

Members discussed the progress of action plans and next steps against the AOSSG Strategic Plan 2015–2019. Specifically, members agreed that:

- as the IASB's Disclosure Initiative project is relevant to all jurisdictions, it is a good platform to facilitate more communication with less active members, and therefore less active members should be encouraged to join the Financial Statement Presentation and Disclosure Working Group;
- all AOSSG members should update the Secretariat for any change in individual/staff representatives, if there is a change;
- the Secretariat will liaise with the Website Working Group in considering setting up a webpage on the AOSSG website that consolidates the letters or papers (research/meeting papers) that are directly submitted by AOSSG members to the IASB, ASAF, etc. to enable the sharing of issues and technical knowledge around the region;
- members should identify opportunities to nominate suitable individuals from the Asian-Oceanian region as members of the IFRS Foundation's advisory bodies (IFRS Advisory Council, Advisory Panel, etc.) to ensure this region is well represented; and
- members should engage actively with representatives of their jurisdictions who are members of the IFRS Trustees and IFRS Advisory Council, and where necessary, inform them of AOSSG activities/issues or vice versa.

Building regional capacity – AOSSG Centre of Excellence Programme

Members were updated on the assessment of the AOSSG's pilot IFRS Centre of Excellence (COE) programme carried out in Nepal for two years. On the basis of the assessment, members

agreed that the AOSSG should continue its COE programme but undertake a new proposed model where mentor(s) from AOSSG membership would help mentee(s). The mentoring role is expected to be limited to advice based on the outcome of the 'on-the-ground' assessment of a mentee and assisting the jurisdiction on a path to adopting IFRS, rather than assistance in developing any local GAAP that might exist in the beneficiary's jurisdiction or training on IFRS requirements.

Implementation issues in relation to IAS 41 Agriculture

Malaysia, India and Thailand noted they still have some practical issues arising from applying IAS 41 *Agriculture*, even after the bearer plant amendments. The AOSSG Agriculture Working Group will consider whether further issues should be raised with the IASB.

IFRS in the Region

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

Closing remarks

Mr. Ian Mackintosh noted that the Annual AOSSG Meeting had matured in terms of the appropriateness in agendas, the number of attendees, the level of discussion, etc. He stressed that it is very important for the IASB to communicate with regional bodies such as the AOSSG in order to maintain a balanced view. He also noted there are likely to be benefits from encouraging IASB members with a regional background other than Asia-Oceania to participate in the Annual AOSSG Meeting.

Mr. Mitsuhiro Takemura from the IFRS Foundation Asia-Oceania Regional Office in Tokyo announced that an IFRS Workshop will be held at the Tokyo Office on 28 and 29 January 2016 and encouraged participation from the AOSSG members.

Ms. Kimberley Crook expressed gratitude for allowing New Zealand to host the 2016 Annual AOSSG Meeting. She noted that more detailed information, such as venue and timing, will be determined shortly in due course.

Dr. Jee In Jang thanked the IASB members for making themselves available for meaningful discussion on current issues. He also thanked AOSSG members for their attendance and proactive participation. He reaffirmed that he will help promote IFRS across the region, reinforce mutual cooperation among the members and deliver diverse views from the members to the IASB.

About Us

The Asian-Oceanian Standard-Setters Group (AOSSG) is a grouping of the accounting standard-setters in the Asian-Oceanian region. The group has been formed to discuss issues and share experiences on the adoption of International Financial Reporting Standards (IFRS) and to contribute to the development of a high-quality set of global accounting standards.

The AOSSG plans to play an important role in encouraging the adoption of IFRSs in the region.

The objectives of the AOSSG are to:

- (a) promote the adoption of, and convergence with, IFRSs by jurisdictions in the region;
- (b) Promote consistent application of IFRSs by jurisdictions in the region;
- (c) Coordinate input from the region to the technical activities of the International Accounting Standards Board (IASB); and
- (d) Cooperate with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.

More information about the AOSSG is provided at <http://www.aoss.com/>.