

Communiqué – November 2013

The Asian-Oceanian Standard-Setters Group (AOSSG) held its fifth annual meeting on 27 and 28 November 2013 at the Bandaranaike Memorial International Conference Hall, Colombo, Sri Lanka. The meeting was hosted by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and attended by 17 member standard-setters as well as representatives of the International Accounting Standards Board (IASB).

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

The President of the CA Sri Lanka, Mr. Sujeewa Rajapakse welcomed delegates to the meeting and, together with a delegation from the AOSSG and the CA Sri Lanka, lit the lamp to inaugurate the meeting.

The Governor of the Central Bank of Sri Lanka, Mr. Ajith Nivard Cabraal, provided the keynote address. The Governor stressed the importance of high quality financial reporting in the development of a global market economy and that the government is fully supportive of the development of a single global set of financial reporting standards.

Mr. Kevin Stevenson, the outgoing AOSSG Chair, and Mr. Clement Chan, the incoming AOSSG Chair, welcomed members to the fifth annual AOSSG meeting. Mr. Chan thanked Mr. Stevenson and the staff of the Australian Accounting Standards Board for the outstanding work during their tenure in the capacity of AOSSG Chair and the Secretariat. Mr. Chan expressed his aspiration to continue to develop a stronger voice from the region internationally.

Members then ratified the appointment of Mr. Steve Lim, Chair of the Korea Accounting Standards Board (KASB), as the AOSSG Vice-Chair for a term of two years.

Mr. Nishan Fernando, Chairman of the Financial Reporting Standards Implementation & Interpretation Committee of the CA Sri Lanka, highlighted key points on Sri Lanka's IFRS convergence experience and progress on adopting IFRS.

The IASB was represented at the meeting by the Chairman, Mr. Hans Hoogervorst, and Board members, Mr. Chungwoo Suh, Mr. Takatsugu Ochi and Mr. Wei-guo Zhang. Mr. Alan Teixeira, Senior Director, Technical Activities of the IASB, and Mr. Mitsuhiro Takemura, Director of the IFRS Foundation Asia-Oceania Regional Office in Tokyo, also attended the meeting.

On behalf of the IASB, Mr. Zhang expressed appreciation for the ongoing efforts of the AOSSG in promoting debate on financial reporting issues in the Asia-Oceania region and enhancing the contributions from the region to the IASB's due process.

Building regional capacity

Members noted the progress of the AOSSG's pilot IFRS Centre of Excellence project in Nepal, including a review of the standard-setting processes and capacity; and a report on the June 2013 IFRS Train-the-Trainer (TTT) sessions in Kathmandu.

Members also note that further TTT sessions are expected in 2014 and thanked those jurisdictions that had provided presenters for the TTT sessions.

Update and discussion on IASB projects

Mr. Teixeira, Mr. Zhang and Mr. Ochi provided an update on recent activities including, in particular, progress on the Revenue Recognition, Leases, Agriculture and IFRS 3 *Business Combinations* Post-implementation Review projects and on the IASB research programme.

Conceptual Framework

The meeting discussed the IASB's Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*, including:

- whether the Discussion Paper adequately addressed the identification of measurement bases;
- whether amounts presented in the Other Comprehensive Income should or should not be recycled and, if there is recycling, whether it should apply in all circumstances;
- how to make an appropriate distinction between liability and equity;
- whether the preliminary views about definitions of assets and liabilities are appropriate, and
- whether the preliminary views about the recognition threshold is appropriate.

Insurance Contracts

The meeting discussed key AOSSG issues as expressed in its submission in response to the IASB's Exposure Draft *Insurance Contracts*, including:

- the proposal on partial unlocking of the contractual services margin;
- the proposed mirroring approach for participating contracts;
- the advantages and disadvantages of two potential presentations of premiums when using the building block approach;
- the proposed presentation in the Other Comprehensive Income for (i) changes in insurance liabilities due to changes in discount rates and (ii) the impact of changes in interest-sensitive cash flow assumptions consistent with the impact of other changes in liability; and
- the proposed transition requirements.

Financial instruments

The meeting discussed issues arising from the IASB's recent deliberations on proposed financial asset classification and measurement amendments to IFRS 9 *Financial Instruments* and on financial asset impairment (expected credit losses). In particular, the Working Group's views were noted on:

- the IASB's tentative decisions to (i) broaden the notion of 'interest' as part of the IFRS 9 'solely payments of principal and interest' condition for classifying and measuring financial assets at amortised cost and (ii) confirm the proposal for a new debt asset measurement category that is fair value through other comprehensive income; and
- the IASB's tentative decisions to (i) confirm the proposal for a loss measurement objective of lifetime expected credit losses if credit risk increases significantly since initial recognition and (ii) confirm the proposal for a loss measurement objective of '12 months expected credit losses' on day-one and subsequently if credit risk does not increase significantly.

Rate-regulated Activities

The meeting discussed issues identified in a research paper prepared by the Rate-regulated Activities Working Group and led by the KASB. In particular, members discussed matters relating to the scope and progress of the IASB's Rate-regulated Activities project, and a range of existing rate-regulation schemes. IASB members expressed their appreciation for the research paper and requested that AOSSG members' views on the issues be provided to the IASB staff. The Working Group plans to finalise and submit its research paper early next year.

Islamic Finance

The meeting discussed the findings of the AOSSG Islamic Finance Working Group's survey of the accounting and auditing practices in the Middle East and North Africa. The findings indicate that a majority of respondents accept the application of Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions alongside the IFRS. As the requirements of some FASs conflict with IFRS, members discussed to what extent financial statements of these entities depart from IFRS and whether an IFRS-compliance assertion is appropriate in this circumstance. The Working Group may conduct a more systematic study of financial reporting by Islamic financial institutions in the Middle East in line with its objective of promoting IFRS in Asia-Oceania.

IFRS for SMEs

The meeting discussed the IASB's Exposure Draft of proposed amendments to the *IFRS for SMEs* and noted the following:

- The work plan of the AOSSG IFRS for SMEs Working Group for the formulation of the AOSSG submission on the IASB's proposed revisions; and
- The different uses of IFRS for SMEs across a number of AOSSG jurisdictions due to the diverse nature and business environments involved.

IFRS in the Region

AOSSG members from India and Nepal provided updates on the progress of adopting IFRS in their respective jurisdictions.

AOSSG membership and Amendments to the AOSSG Memorandum of Understanding

AOSSG members voted in favour of amendments to:

- the AOSSG membership policy; and
- the AOSSG Vice-Chair nomination process.

Members also approved the change of the member organisation representing New Zealand given a change in the standard-setting arrangements in that jurisdiction.

Closing remarks

Mr. Hoogervorst noted how useful the meeting discussions had been to IASB members and staff, which he said was a product of the constructive environment that AOSSG members created for the discussion of issues.

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 CA Sri Lanka and its staff for hosting the meeting.

About the AOSSG

The objectives of the AOSSG are:

- (a) promoting the adoption of, and convergence with, IFRS by jurisdictions in the region;
- (b) promoting consistent application of IFRS by jurisdictions in the region;
- (c) coordinating input from the region to the technical activities of the IASB; and
- (d) cooperating 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).