

Communiqué – November 2012

On 28 and 29 November 2012, the fourth annual meeting of the Asian-Oceanian Standard-Setters Group was held at the Soaltee Crowne Plaza in Kathmandu, Nepal. The meeting was hosted by the Nepal Accounting Standards Board (NASB) and attended by 19 member standard-setters as well as representatives of the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Foundation.

The participating standard-setters were from Australia, Brunei, China, Hong Kong, India, Indonesia, Iraq, Japan, Korea, Macao, Malaysia, Nepal, New Zealand, Pakistan, Saudi Arabia, Singapore, Sri Lanka, Thailand and Vietnam.

Nepal's Honourable Finance Minister, Mr. Barsa Man Pun, lit the lamp to inaugurate the meeting. The Minister stressed the importance of high quality financial reporting and standards for Nepal. He also welcomed the AOSSG's plans for an 'IFRS Centre of Excellence for a Developing Country' (IFRS COEDC) in Nepal that would help Nepal to build its standard-setting capacity. This would be one means of promoting improvements in financial reporting in both its private and public sectors as part of a strategy of attracting investment to develop Nepal's economy. The Minister stated that the Nepal government is fully supportive of the AOSSG's proposed IFRS COEDC.

The AOSSG Chair, Mr. Kevin Stevenson, welcomed members to the fourth annual AOSSG meeting. Mr. Stevenson and the AOSSG Vice-Chair, Mr. Clement Chan, noted the significance of the meeting's theme and the location of the meeting in Nepal, the first jurisdiction in which the AOSSG plans to establish an IFRS COEDC so as to build standard-setting capacity. Mr. Stevenson also noted that he had received positive feedback from all key stakeholders in Nepal on the proposed IFRS COEDC to assist the NASB.

The IASB was represented at the meeting by the Chairman, Mr. Hans Hoogervorst, and Board members, Mr. Wei-guo Zhang and Mr. Prabhakar Kalavacherla. Senior IASB staff members attending were Mr. Alan Teixeira, Senior Technical Director Technical Activities, and Mr. Wayne Upton, Director of International Activities and Chairman of the IFRS Interpretations Committee. Mr. Mitsuhiro Takemura, Director of the recently opened IFRS Foundation Asia-Oceania Regional Office in Tokyo also attended the meeting.

On behalf of the IASB, Mr. Kalavacherla 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.

Mr. Kalavacherla and Mr. Zhang provided an update on recent activities, including in particular, progress on the Financial Instruments, Revenue Recognition, Leases and Insurance Contracts projects.

Mr. Teixeira highlighted key areas for the future work program, including the Conceptual Framework project, Post-implementation Reviews and the research program that would require assistance from national standard-setters.

IFRS Centre of Excellence for a Developing Country (COEDC) in Nepal

NASB Chairman, Mr. Narayan Bajaj, commended to the AOSSG the proposal for a pilot IFRS COEDC that would help build Nepal's standard-setting capacity. Members gave the proposal their unanimous support, including the initial planned steps. Nine jurisdictions agreed to become the Working Party, to be chaired by Australia, that facilitates the establishment of the IFRS COEDC.

IFRS Foundation proposal for an Accounting Standards Advisory Forum (ASAF)

The meeting endorsed the IFRS Foundation Invitation to Comment *Proposal to Establish an Accounting Standards Advisory Forum*. IASB members explained that they expect the ASAF to act as a technical and strategic forum/resource for the IASB. Mr. Hoogervorst emphasised that each ASAF member would need to commit to a substantial technical workload.

AOSSG members expressed strong support for the proposed ASAF and discussed the manner in which the AOSSG should organise itself in order to ensure that the views of all AOSSG members can be represented at the ASAF.

IFRS Foundation Asia-Oceania Regional Office

Mr. Hoogervorst and Mr. Takemura outlined the significance of the regional office to IASB's interest in the Asia-Oceania region and the plans for its use.

IFRS in the Region

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

Insurance Contracts

The key issues discussed at the meeting included:

- the advantages and disadvantages of two potential presentations of premiums when using the building block approach;

- the proposed presentation in ‘other comprehensive income’ (OCI) of changes in insurance liabilities due to changes in discount rates and the tentative IASB decision that the impact of changes in interest-sensitive cash flow assumptions should be treated in the same manner as the impact of other changes to the liability; and
- unlocking of residual margins, the accretion of interest on residual margins and the relevant journal entries to deal with unlocking and interest accretion.

Revenue from Contracts with Customers

The meeting discussed recent tentative decisions on the proposals in the IASB ED/2011/6 *Revenue from Contracts with Customers*. In particular, members discussed matters relating to:

- customer collectability, and presentation of revenue and impairment losses in the Statement of Comprehensive Income; and
- revised criteria for performance obligations satisfied over time.

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. In particular, it was noted:

- the proposals for a fair value through OCI (FVOCI) classification and measurement model for debt assets that incorporates the tentative expected loss model; and
- the Working Group’s views on recognising day-one impairment losses using the tentative expected loss model for financial assets measured at amortised cost and FVOCI.

Leases

The meeting discussed recent tentative decisions on the IASB’s revised proposals for leases, including:

- whether there are fundamentally two types of leases;
- the conceptual merits of the ‘single line expense’ approach and the subsequent measurement of the right-of-use assets;
- whether the proposed practical expedient for property leases appropriately reflects the principle for lease classification;
- the clarification of: (i) the definition of property; and (ii) the unit of account for land and building in property leases; and
- the Working Group’s broad support for a ‘receivable and residual’ approach, and some support for: (i) a ‘full de-recognition’ approach; and (ii) an approach that is aligned with

the way performance obligations are satisfied as proposed in the Revenue Recognition project.

Post-implementation review of IFRS 8 Operating Segments

The meeting discussed the IASB's current post-implementation review of its IFRS 8 and noted:

- the views collected by the Chair's Advisory Committee (CAC), acting as an AOSSG Working Group, from a number of roundtables in AOSSG jurisdictions during September and October 2012 in conjunction with the IASB; and
- comments and suggestions for improvement, including further clarification for identifying the Chief Operating Decision Maker, application of the aggregation criteria, and the need for greater consistency in segment disclosure and other parts of annual reports such as Management Discussion and Analysis.

IFRS for SMEs review

The meeting discussed the IASB's current comprehensive review of the *IFRS for SMEs* and noted the following:

- the views collected by the AOSSG IFRS for SMEs Working Group on the issues raised in the IASB's Invitation to Comment;
- the different uses of *IFRS for SMEs* across a number of AOSSG jurisdictions due to the diverse nature and business environments involved; and
- areas where the *IFRS for SMEs* could be revised to become consistent with improvements in full IFRS that are considered relevant in SME reporting.

Agriculture

The meeting discussed the proposed limited scope amendment to IAS 41 *Agriculture* on bearer biological assets currently being deliberated by the IASB, based on initial research undertaken by the AOSSG. The meeting discussion focused on the accounting for immature bearer biological assets. The AOSSG welcomed the IASB's efforts on amending IAS 41 and emphasised its willingness to assist the IASB in its deliberations. In addition, the AOSSG expressed the hope that the IASB would finalise the limited scope project as soon as possible.

Islamic Finance

The meeting was informed of issues arising from recent IASB tentative decisions and their impact on Islamic finance transactions. This included issues related to sales-based financing, which is commonly used in Islamic finance transactions, and emerging issues raised by

stakeholders during AOSSG outreach in the Middle East and Far East on accounting for Islamic finance transactions.

The meeting was briefed by IASB staff on plans for its consultative group on Islamic Finance. AOSSG members reiterated their support for the consultative group and preparedness to provide research and other support for the group.

Emerging issues

The meeting noted emerging issues raised by Indonesia on accounting for indefinitely renewable leases of land and accounting for telecommunication towers.

AOSSG proposed protocols

AOSSG members voted in favour of protocols on: AOSSG membership due process; clarifying Working Groups' responsibilities; responding to IASB/IFRS Interpretations Committee technical requests; and, raising emerging IFRS issues.

The AOSSG noted that the CAC will consider the current Working Groups and the need for new Working Groups based on the IASB's future work program.

AOSSG membership

AOSSG members voted to admit the Association of Syrian Certified Accountants as an AOSSG member.

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. Stevenson thanked the IASB members and staff for making themselves available for open and constructive discussion on current issues. He thanked AOSSG members for their work in preparing for the meeting and their attendance and for their support for agreeing to launch an IFRS COEDC in Nepal. Mr. Stevenson also thanked the NASB and its staff for hosting the meeting, as well as the Australian Accounting Standards Board staff who had assisted.

Mr. Bajaj and the immediate past NASB Chairman, Mr. Pradeep Shrestha, thanked AOSSG members and the IASB members and staff for their attendance.

Mr. Chan also thanked those responsible for making the meeting a success and noted the forthcoming Regional Policy Forum on 5-6 June 2013 in Hong Kong, and the current

discussions of the location of the fifth annual AOSSG meeting to be conducted towards the end of 2013.

(Note: the IASB representatives conducted an IFRS regional one-day conference on the day following the fourth annual AOSSG meeting.)

About the AOSSG

The objectives of the Group 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 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 \(www.aossg.org\)](http://www.aossg.org)