



<b>To:</b>	<b>AOSSG members</b>	<b>Date:</b>	9 September 2013
<b>From:</b>	<b>Secretariat</b>	<b>Agenda Item:</b>	8.1
<b>Subject:</b>	<b>Consider the need for new Working Groups</b>	<b>File:</b>	

## Action

Consider the need for new Working Groups and provide views to Questions 1 and 2.

## Background

1. The AOSSG *Modus Operandi of an AOSSG Working Group*<sup>1</sup> states that:
  - (a) the formation of a WG shall be initiated by the Secretariat;
  - (b) a WG shall consist of member jurisdictions of AOSSG who have volunteered to be involved in a topic which AOSSG has initiated through the Secretariat;
  - (c) the lead jurisdiction should be elected by members of the WG from member jurisdictions who have volunteered to be in the WG; and
  - (d) WG topics will be those agreed at an AOSSG meeting or by request of no less than five member jurisdictions in writing to the Secretariat.
2. The AOSSG *Protocol for Responding to IASB/IFRS Interpretations Committee Technical Requests*<sup>2</sup> states that:

Each Working Group is responsible for managing or responding to technical requests<sup>1</sup> on its topic. Where there is no Working Group that could deal with such requests and it is unlikely that one will be needed, the AOSSG Chair and Vice-Chair make an initial assessment as to whether the Chair's Advisory Committee (CAC) should act as the Working Group. In those circumstances, the Modus Operandi of an AOSSG Working Group would apply to the CAC and the Secretariat would prepare a response and seek input from those AOSSG members with relevant expertise or experience on the requested topic.

- 1 Technical requests include short-term projects that would not require continuous monitoring and significant fact-finding. Examples include Post-implementation Reviews and IFRS Interpretations Committee requests.

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1 Available on AOSSG website:  
[http://www.aoss.org/docs/WG/AOSSG\\_Modus\\_Operandi\\_revised\\_29\\_November\\_2012.pdf](http://www.aoss.org/docs/WG/AOSSG_Modus_Operandi_revised_29_November_2012.pdf)

2 Available on AOSSG website:  
[http://www.aoss.org/docs/WG/AOSSG\\_Protocol\\_Responding\\_to\\_Technical\\_Requests\\_January\\_2013.pdf](http://www.aoss.org/docs/WG/AOSSG_Protocol_Responding_to_Technical_Requests_January_2013.pdf)

### Rate-regulated Activities

3. The IASB's Work Plan dated 29 July 2013 identifies Rate-regulated Activities as one of its major projects. The IASB activities on this project include:
  - (a) research to consider whether rate regulation creates assets or liabilities in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. The IASB published a Request for Information (RFI) *Rate-regulation* in March 2013 for comment until 30 May 2013 and targets to publish a Discussion Paper (DP) in Q4 of 2013; and
  - (b) a proposed interim IFRS (ED/2013/5 *Regulatory Deferral Accounts*) to enhance the comparability of financial reporting by entities with rate-regulated activities until guidance is developed through the research project on rate regulation. ED/2013/5 was issued in April 2013 and open for comment until 4 September 2013. The IASB plans to deliberate the proposed interim IFRS in Q4 of 2013.
4. Many entities from the Asia-Oceania region (for example, rate-regulatory entities, professional bodies and standard-setters from Australia, Hong Kong, India, Japan, Korea and Malaysia) responded directly to the IASB on its RFI (March 2013).
5. In addition, the AOSSG made a submission on ED/2013/5 prepared initially through the Chair's Advisory Committee. The Secretariat is aware that two AOSSG members supported ED/2013/5 in general.
6. Currently, there is no AOSSG WG that deals with Rate-regulated Activities.

#### Recommendation 1

7. Along with a request of the Korea Accounting Standards Board, the Secretariat proposes forming a WG on this topic to manage and respond to the IASB's Rate-regulated Activities project on the basis that:
  - (a) the topic will require continuous monitoring of IASB developments and significant fact-finding; and
  - (b) the topic is a major project to the IASB and is likely to become a long-term project.
8. As a process, the Secretariat will reach out to AOSSG members with the interest and expertise for support for the WG on this topic; and with sufficient support, the WG will be considered established (without the approval of members at an AOSSG meeting) and will adhere to the guidelines of the *Modus Operandi of an AOSSG Working Group*.
9. The KASB has volunteered to take leadership of the topic should there be sufficient member support to form a WG on Rate-regulated Activities.

#### **Question 1**

Based on the reasons in paragraph 7, do you support the recommendation to seek to form a WG on the topic Rate-regulated Activities?

### IFRS 3 Business Combinations Post-implementation Review

10. The IASB is undertaking a Post-implementation Review (PIR) of IFRS 3 *Business Combinations*. The scope of this PIR will include issues that came to the attention of the IASB as contentious during the development of IFRS 3 as well as issues that have come to the attention of the IASB after the Standard was issued. IFRS 3 came into effect on 1 July 2009 and the IASB generally plans to conduct a PIR of each new Standard or major amendment after the new requirements have been applied internationally for at least two years.
11. The PIR will consist of two phases:
- (a) Phase 1: Determining scope and content of RFI (July to December 2013 based on the IASB Update July 2013)
- The IASB plans to undertake targeted outreach to identify areas in which implementation problems or unexpected costs with IFRS 3 were encountered and review academic and other studies about the application of the Standard. The areas identified during this phase will be included in a RFI, which, based on its Work Plan dated 29 July 2013 the IASB targets to issue for comment by Q4 of 2013.
- (b) Phase 2 (IASB timing unknown but could be estimated to take place in Q2 of 2014 onwards)
- The IASB plans to undertake extensive outreach and analyse the comments received in response to the RFI to learn about experience in applying IFRS 3 and the experience of investors and others in using the results it produces.
12. The IASB plans to publish a Feedback Statement with the main PIR findings and the steps it plans to take, if any.
13. Currently, there is no AOSSG WG that deals with IFRS 3.

#### Recommendation 2

14. The Secretariat considers there are a number of approaches the AOSSG could take in dealing with this topic.
- (a) Consider forming a WG to manage and respond to matters relating to IFRS 3, including this PIR, on the basis that:
- i. the PIR is a major project to the IASB and could potentially be a long-term project; and
  - ii. the topic could require continuous monitoring of IASB developments and significant fact-finding.

If a WG were to be formed, as a process, the Secretariat would request participation from AOSSG members with the interest and implementation experience in this topic; and the WG would be considered established (without the approval of members at an

AOSSG meeting) and would adhere to the guidelines of the *Modus Operandi of an AOSSG Working Group*.

- (b) Consider expanding the scope of the existing AOSSG Consolidations WG<sup>3</sup> to include topics that are related to a (group) reporting entity, in particular, IFRS 3, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures*. The rationale would be the synergies between the topics. One concern with this alternative is whether the Consolidations WG has sufficient resources to cope with the expanded scope.
- (c) Consistent with the CAC's previous decision on the IASB's PIR of IFRS 8 *Operating Segments*, there is no need to form a WG on the PIR of IFRS 3 at this stage on the basis that:
- i. the topic is not yet considered a long-term project due to uncertainty as to whether the IASB will add the topic to its agenda; and
  - ii. the topic would not require continuous monitoring of the IASB developments and significant fact-finding at this stage.

In the absence of a WG, the CAC could initially act as the WG for the topic until it becomes clearer whether the PIR will give rise to a long-term project. If members support this approach, volunteers to lead the coordination of the topic would be welcome.

The Hong Kong Institute of CPA led the AOSSG's efforts on the IFRS 8 PIR which involved the coordination/discussion of AOSSG members' input on implementing IFRS 8 at the 2012 Annual AOSSG Meeting and preparation of the AOSSG submission to the IASB.

## Question 2

Based on the reasons in paragraphs 14(a), 14(b) and 14(c), which approach do you support for dealing with the IASB's PIR on IFRS 3?

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<sup>3</sup> The responsibilities of a WG include, among other things, coordinate PIR issues that the AOSSG might undertake for the IASB [Modus Operandi of an AOSSG Working Group].