

31 December 2015

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Hans

AOSSG comments on Request for Views 2015 Agenda Consultation

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the Request for Views *2015 Agenda Consultation*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan, and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region and not to prevent the IASB from receiving the variety of views that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG 2015 Agenda Consultation Working Group.

AOSSG members consider that the factors set out in paragraph 55 of the Request for Views are appropriate and some members suggest additional factors that the IASB should consider as follows:

- Convergence with US GAAP and other national standards
- Resolving the implementation issues in a timely manner
- Changes in the economic environment
- Blazing a trail in the uncharted accounting territory

AOSSG members suggest additional research projects as follows:

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- Regional differences in the interpretation of terms that require judgment under IFRS (e.g., terms of likelihood)
- Impact of translation on the effects of IFRS adoption
- Fundamental review of the role of equity method accounting
- Development costs
- Digital currency, cryptocurrency (e.g., bitcoins)
- Conceptual Framework (e.g., definition of profit)
- Government grant accounting (review of IAS 20)

Most members agree with removing the projects on Foreign Currency Translation, High Inflation, Extractive Activities, Intangible Assets and Research and Development from the IASB's research programme given their relative importance compared with all other projects and because they are relatively less pervasive in member jurisdictions.

Many members believe that the projects on the Conceptual Framework and Disclosure Initiative are very important in order to develop high quality standards based on consistent concepts and to address the concern of 'disclosure overload'. Many members encourage the IASB to complete and publish the projects on Leases and Insurance Contracts as soon as possible.

AOSSG members classify following projects as high priority:

- Goodwill and Impairment
- Primary Financial Statements
- Provisions, Contingent Liabilities and Contingent Assets
- Business Combinations under Common Control
- Disclosure Initiative: Principles of Disclosure
- Equity Method
- Financial Instruments with Characteristics of Equity

AOSSG members have mixed views on whether the IASB and Interpretations Committee are providing the right mix of implementation support to meet stakeholders' needs and whether the support is sufficient.

Most members are concerned about the IASB's current approach in issuing major Standards and subsequently tinkering with them by issuing narrow-scope amendments immediately after the major Standards such as IFRS 10, 11 and 15 are issued.

AOSSG members are largely of the view that 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. However, there are some concerns and suggestions.

Majority of members do not support the proposal to change the interval between Agenda Consultations from the current three years to five years. Because current three-year cycle would be helpful for the IASB to review the appropriateness of its work plan and make adjustments on a timely basis.

For our detailed comments, please refer to Appendix of this letter.

The AOSSG hopes that our comments will be helpful for the IASB's future deliberations. If you have any questions, please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jee In Jang', is centered below the text.

Jee In Jang
AOSSG Chair
AOSSG 2015 Agenda Consultation Working Group Leader

APPENDIX – Detailed comments from the AOSSG on Request for Views 2015 Agenda Consultation

Question 1

The IASB’s work plan includes five main areas of technical projects:

- (a) its research programme**
- (b) its Standards-level programme;**
- (c) the *Conceptual Framework*;**
- (d) the Disclosure Initiative; and**
- (e) maintenance and implementation projects**

What factors should the IASB consider in deciding how much of its resources should be allocated each area listed above?

1. AOSSG members consider that the factors set out in paragraph 55 of the Request for Views are appropriate and some members suggest additional factors that the IASB should consider as follows:
 - Convergence with US GAAP and other national standards
 - Resolving the implementation issues in a timely manner
 - Changes in the economic environment
 - Blazing a trail in uncharted accounting territory
2. Many members believe that the IASB should be able to retain sufficient flexibility in managing its work plan without going through the Agenda Consultation, if decisions are supported by the work conducted and made with sufficient transparency. Some members suggest that the IASB focus on general and cross-cutting issues and geographically widespread issues. Some members agree with increasing the resources in the research programme as the demands of other standard-setting activities lessen.
3. Many members believe that improvement of the Conceptual Framework is critically important so as to ensure that financial information resulting from the application of IFRSs is of high quality. As a number of projects are related to the Conceptual Framework, the IASB should maintain its efforts on these related projects to ensure their completion in a timely fashion.
4. Other comments from AOSSG members include the following:
 - (a) The IASB should clearly communicate how it assesses and weighs those factors when prioritising the projects.
 - (b) The list of factors is too long to consider individually and they should be classified into three categories: (i) overall consideration (i.e., overall balance of the work plan and the research projects), (ii) factors that support consideration of whether to add agendas to its work programme (i.e., importance and urgency of the matters, convergence with US GAAP and other national standards), (iii) constraints that would impose limitations on the IASB when considering whether to add agendas to its work programme (i.e., cross-cutting

issues, complexity and breadth of the problem, feasibility of possible solutions, capacity of stakeholders to respond, availability of sufficient time from the IASB members and staff resources).

- (c) The IASB should consider establishing a formal mechanism for stakeholders to provide timely feedback on the decisions to suspend a project or to remove a project from the research programme, which could be modelled on the due process for the issuance of rejection notices by the Interpretations Committee.
- (d) The IASB should provide greater transparency in the conduct of its research programme to preserve public accountability when prioritising, moving and removing research projects. The IASB should consider monitoring the effectiveness of its research programme, in the light of its recent decision to issue a second Discussion Paper for the Rate-regulated Activities and Dynamic Risk Management research projects.

Question 2

The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

- (a) add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the projects(s) that you suggested adding.
- (b) remove from its research programme the projects on foreign currency translation (see paragraphs 39-41) and high inflation (see paragraphs 42-43)? Why or why not?

(A) Suggesting projects to be added to the IASB research programme

5. There are suggestions regarding additional research programme projects as follows:
- Regional differences in the interpretation of terms that require judgment under IFRS (e.g., terms of likelihood): Clarifying IFRS expressions that may have diversity in interpretation would be helpful for consistently applying IFRS globally.
 - Impact of translation on the effects of IFRS adoption: Identifying and improving translation issues would encourage more jurisdictions to adopt IFRS around the world.
 - Fundamental review of the role of equity method accounting: Looking at whether there is a role for equity accounting and what the alternatives (e.g., proportionate consolidation) might be.
 - Development costs: There is diversity in the accounting practice of entities using IFRSs as to the recognition of costs arising from the development phase of an internal project. Many preparers question if the requirement to capitalise the cost results in useful information to users.
 - Digital currency, cryptocurrency (e.g. bitcoins): The IASB should undertake some preliminary scoping work in this area.
 - Conceptual Framework (e.g., definition of profit)
 - Government grant accounting (review of IAS 20)

6. AOSSG members have mixed views on the proposal that the IASB adds IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to its research programme.

(B) Removal of project from the IASB's research programme

7. Most members agree with removing the projects on Foreign Currency Translation, High Inflation, Extractive Activities, Intangible Assets and Research and Development from the IASB's research programme given their relative importance compared with all other projects and because they are relatively less pervasive in member jurisdictions.
8. A few members disagree with removing the Foreign Currency Translation project because a number of conceptual and practical issues have been identified especially regarding the interplay between the concept of measurement and translation and the IASB needs to make short-term amendments to IAS 21 or undertake a long-term comprehensive review of IAS 21.

(C) Other comments

9. Other comments from AOSSG members include the following:
 - (a) Extractive Activities, Intangible Assets and Research and Development: These projects should be retained, but reframed as a Disclosure project, because it is important that information on all assets is included in the financial statements. It might be a useful step in improving the information provided in respect of these items, and in developing thinking about them.
 - (b) Principle of IAS 38: The IASB should revisit the principle of IAS 38 to ensure that the principles of the Standard are clear and there is sufficient application guidance to supplement those principles.
 - (c) Goodwill: The project should be migrated into a list of standard-setting projects because there is sufficient evidence to warrant the IASB's standard-setting consideration such as a discussion paper by national standard setters and the feedback received through a PIR of IFRS 3. The FASB also has been working on the project of accounting requirements regarding goodwill. It is important for the IASB to work together with the FASB, so as to maintain the degree of convergence on this accounting requirement as much as possible.
 - (d) Share-based Payment and Post-employment Benefits: Both projects should be deferred or replaced with a PIR of IAS 19 and IFRS 2.
 - (e) Dynamic Risk Management: The project should be deferred until IFRS 9 is implemented.
 - (f) Discount Rate: Possible future work should be incorporated into the IASB's other existing projects as opposed to progressing with the work within the scope of the discount rate project due to the nature of fact-finding.
 - (g) The IASB should include a fourth category (i.e., thought leadership) in its research programme in addition to assessment stage, development stage and inactive stage. Considering the IASB's current resource constraints, partnering with jurisdictional standard-setters to develop thought leadership papers might be helpful.

Question 3

For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

10. AOSSG members indicate the relative priority of research projects as follows:

【Projects of high priority】

- Goodwill and Impairment
- Primary Financial Statements
- Provisions, Contingent Liabilities and Contingent Assets
- Business Combinations under Common Control
- Disclosure Initiative: Principles of Disclosure
- Equity Method
- Financial Instruments with Characteristics of Equity

【Projects of medium priority】

- Discount Rates
- Share-based Payment
- Review of IFRS 5

【Projects of low priority】

- Income Taxes
- Pollutant Pricing Mechanisms
- Post-employment Benefits
- Dynamic Risk Management
- Extractive Activities
- Intangible Assets, R&D
- Foreign Currency Translation
- High Inflation

(A) Goodwill and Impairment

11. Goodwill and Impairment accounting affects a wide range of entities and users of financial reports globally. There are enough issues in practice that warrant the IASB's attention to

revisit the accounting for goodwill. There is sufficient evidence to warrant the IASB's standard-setting consideration such as a discussion paper by national standard setters and the feedback received through a PIR of IFRS 3.

(B) Primary Financial Statements

12. This project is critical to improve the practice of the presentation and disclosure of financial statements. The collective work from the projects on Principles of Disclosure project and Primary Financial Statements would lead to a more holistic approach to improving the overall financial statements presentation and disclosure. The project on Primary Financial Statements also has the potential to be useful in progressing accounting thought pertaining to profit and other comprehensive income. One member suggests that the IASB should include other issues such as the use of other comprehensive income, presentation of subtotals in the statement of financial performance (e.g., operating income) and non-IFRS information as part of the project.

(C) Provisions, Contingent Liabilities and Contingent Assets

13. There is an issue on the inconsistency in the notion of liabilities between IAS 37 and the revised Conceptual Framework. With the planned completion of the Conceptual Framework project in 2016, it would be timely for the IASB to give sufficient priority to this project, both to address the existing concerns using the improved concepts in the revised Conceptual Framework and to eliminate inconsistencies with those concepts. Considerable benefits could be expected from the improved financial reporting, given the broad scope of IAS 37.

(D) Business Combinations under Common Control

14. There is widespread prevalence of transactions such as Business Combinations under Common Control and other group restructurings, and the regulators are concerned over the diverse practices in initial public offering activities. Business Combinations under Common Control are excluded from the scope of IFRS 3 and there are no other IFRS standards that address the issue explicitly. Therefore, the IASB needs to fill this existing gap in IFRS and set out the principles for accounting for BCUCC.

(E) Disclosure Initiative: Principles of Disclosure

15. Development of the high quality principles of disclosure is critically important to address the issue of 'disclosure overload' cited by a number of stakeholders from the financial reporting community. This project will improve the effectiveness of financial statements as a communication tool by addressing the widely-acknowledged 'disclosure problem'.

(F) Equity Method

16. There have always been conceptual issues and practical difficulties in applying the Equity Method to account for investments in associates. Concerns have been raised for the complexity of the Equity Method in terms of the use of many relevant consolidation procedures and impairment testing. The level of information required to apply the Equity Method also poses difficulties in applying the method properly. There is a concern that narrow-scope or temporary improvement to the Equity Method might further complicate the accounting. Therefore, the IASB should undertake the fundamental review of the Equity Method of accounting.

(G) Financial Instruments with Characteristics of Equity

17. There have been difficulties in understanding the underlying rationale of IAS 32 and its application. This project is highly integral to the Conceptual Framework project in relation to the notion of liability versus equity. A fundamental review of the concepts (or requirements)

underpinning the Standard is necessary as an extension of the Conceptual Framework project. Therefore, the IASB should improve the definitions and requirements in IAS 32 on the basis of sound concepts, thereby avoiding inconsistencies and exceptions within the Standard.

(H) Other comments

18. Projects on ‘Financial Instruments with Characteristics of Equity’ and ‘Provisions, Contingent Liabilities and Contingent Assets’ are related to the Conceptual Framework project. Given that both projects have a strong liability focus, the IASB should address them concurrently, to ensure consistent outcomes are achieved.

Question 4

Do you have any comments on the IASB’s current work plan for major projects?

19. Many members believe that the projects on the Conceptual Framework and Disclosure Initiative are very important in order to develop high quality standards based on consistent concepts and to address the concern of ‘disclosure overload’. Many members encourage the IASB to complete and publish the projects on Leases and Insurance Contracts as soon as possible.
20. Many members suggest that the IASB could make its process more robust including more study, outreach and field testing before finalizing a Standard to maintain a certain level of stability of the revised Standards after their issuance and to avoid frequent changes after rushing to publish. Some members suggest that the IASB should be guided more by the need to fully develop project proposals or final IFRSs than by targeted deadlines for completion of a project.
21. Other comments from AOSSG members include the following:
- (a) Disclosure Initiative: The IASB should try to avoid amending Standards in a patch-work manner so as to ensure that the disclosure requirements of the Standards as a whole achieve the objective and remain well balanced.
 - (b) Dynamic Risk Management: The IASB needs to consider dividing the project into two parts: (i) a short or medium-term project focusing on improving existing macro hedge accounting requirements; and (ii) a long term project dealing with the implications of dynamic risk management for recognition and measurement.
 - (c) Rate-regulated Activities: The IASB needs to consider whether the ‘disclosure-only approach’ is more appropriate, considering the incremental benefits and associated costs from undertaking the project to specify recognition and measurement requirements for a subset of rate regulated activities and resulting cliff effects.

Question 5

Are the IASB and Interpretations Committee providing the right mix of implementation support to meet stakeholders’ needs and is that support sufficient (see paragraphs 19-23 and 50-53)?

22. AOSSG members have mixed views on whether the IASB and Interpretations Committee are providing the right mix of implementation support to meet stakeholders’ needs and whether the support is sufficient. Some members request that the IASB and Interpretations Committee should do more to meet stakeholders’ needs for implementation support on a timely basis. As consistent application of IFRS is gaining greater attention, it should be examined whether the

Interpretations Committee is currently meeting the expectations of many jurisdictions around the world in a sufficiently satisfactory manner. They think the Interpretations Committee should strengthen its role by appointing full time members or increasing the number of staff. Some members believe that the IASB and Interpretations Committee generally provide the appropriate implementation support to meet stakeholders' needs.

23. Most members are concerned about the IASB's current approach in issuing major Standards and subsequently tinkering with them by issuing narrow-scope amendments immediately after the major Standards such as IFRS 10, 11 and 15 are issued. Some of them suggest that the IASB and Interpretations Committee incorporate many narrow-scope amendments in the Annual Improvements. One member is also concerned about the effectiveness of narrow-scope amendments (i) as quick-fixes to address underlying fundamental issues, and (ii) when they have, at the same time, insufficiently broad scope and unintended broader implications.
24. AOSSG members have various views on the Transition Resource Groups (TRG) as follows:
 - (a) The TRG would be more useful if it were set up as part of the Standard due process so that any implementation issues raised by the TRG could be dealt with immediately by the IASB before the issuance of the Standards.
 - (b) The TRG might be used as an avenue for stakeholders to request clarifications shortly after a Standard has been issued. It is imperative to distinguish a genuine need for clarification to enable proper implementation from teething issues associated with principle-based Standards that are addressed by allowing practice to develop.
 - (c) The TRG should not become a regular feature for all new Standards, as they introduce a period of uncertainty while they are in progress.
25. Other comments from AOSSG members include the following:
 - (a) A mechanism for regular consultation between the IASB or the Interpretations Committee and the NSSs and regulators for reporting IFRS implementation and application issues in practice is necessary. The IASB and NSSs could also develop a documented and agreed process for reporting IFRS implementation issues in practice on an ongoing basis.
 - (b) The IASB should continue to consider the needs of first-time adopters when developing and revising the Standards, so as not to deter entities from their transition to IFRSs.

Question 6

Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

26. AOSSG members are largely of the view that 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 setting. However, there are some concerns and suggestions.
27. There are concerns that development of some new Standards takes too long and there have been too many narrow-scope amendments to Standards. However, a lengthier period of development may be appropriate and necessary to ensure that proposals reflect sound accounting principles, rather than be rules or exceptions-based or be partly developed in nature.
28. Some members are concerned that the extensive non-mandatory guidance in some Standards bring into question the robustness of the mandatory guidance, and runs the risk of embedding

the underlying principles or incorporating inconsistent concepts within the non-mandatory guidance.

29. Some members believe that incorporating application guidance and illustrative examples in the Standards are most useful and appropriate to support the consistency of application and implementation of IFRS. The IASB should provide robust application guidance to supplement the principle of the Standards and the guidance should include fact patterns that range from the simple to the complex to cater for developing, emerging and developed economies.
30. Other comments from AOSSG members include the following:
- (d) While keeping to the principle-based standard-setting, providing additional guidance such as clarifications of IFRS 15 and practice statement of materiality is more appropriate than rule-based standard setting. However, in this case, the IASB should take the authority of the guidance into consideration.
 - (e) There is a concern that the number of research projects on the current work plan does not appear realistic, taking into consideration the relatively long list of research projects and the observed life cycle of at least 6-8 years for the last wave of major projects. Therefore, the IASB should narrow down the number of research projects based on feedback received on the 2015 Agenda Consultation in order to help the IASB improve the effectiveness of its standard-setting process, achieve a more efficient use of its resources, and complete its high-priority projects within a reasonable time frame.
 - (f) What's important is to ensure sufficient time for an entity to make necessary changes to their internal process so as to deliver information in accordance with the new requirements (including necessary investments in the IT solutions) before the effective date of the Standard, and it is not necessarily so important for the IASB to try to align effective dates of different Standards.
 - (g) The IASB should use simpler, direct and straightforward English language in the Standards.
 - (h) A level of detail of Standards is inconsistent with each other because the volume of some Standards tends to be very large (for example, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue with Contracts with Customers*), while other Standards provide only the principles.

Question 7

Do you have any other comments on the IASB's work plan?

31. Some members believe that it is important for the IASB to clarify the feedback received through the consultation performed by national and regional standard setting groups. They recommend that the IASB should consider and clarify the best possible ways to effectively leverage their works so as to reduce the duplication of the number of consultations on the same topic to stakeholders.
32. Other comments from AOSSG members include the following:
- (a) Post-implementation Review (PIR): One member believes that the Request for Inputs published during the course of the PIR could ask questions about possible remedies as well as shortcomings that respondents identify. There is a concern that the PIR provides opportunities for stakeholders to identify only the shortcomings of the newly implemented

Standards without the possible remedies to the shortcomings. Another member believes that the PIR should be extended to all existing Standards and focus on issues not previously anticipated or issues that warrant reconsideration as a result of other unanticipated issues. And the IASB should clarify whether and when issues identified through a PIR should be added to the research programme.

- (b) The IASB should consider a short-term project that assesses the usefulness of the exemption criteria for preparing consolidated financial statements under IFRS 10. The condition set out in paragraph 4(a)(iv) of IFRS 10 appears to have no clear rationale and is inconsistent with the thinking reflected in paragraph 3.24 of the IASB's Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting* in relation to the boundary of a reporting entity. Therefore, the IASB should consider whether the condition in paragraph 4(a)(iv) of IFRS 10 should be deleted entirely.
- (c) The IASB should deal with all types of transactions under common control because transactions under common control often arise as a mix of various transactions and accounting guidance specifically designed for BCUCC would cause accounting divergence between a business combination and a spin-off under common control.
- (d) The IASB needs to play a more active role in the wider corporate performance area and work closely with other relevant bodies.

Question 8

Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?

33. Majority of members believe that a three year interval is more appropriate than a five year interval due to the following reasons:
- (a) As 140 jurisdictions, with the number still increasing, use IFRS, there would be high demand for timely responses to many issues raised by constituents, especially from jurisdictions new to IFRS.
 - (b) There would be few long-term projects, if any, such as financial instruments and leases in the near future, given that the convergence projects of the IASB and FASB drawing to a close.
34. Other members believe that a five year interval is more appropriate than a three year interval due to the following reasons:
- (a) Major projects usually take more than three years to complete.
 - (b) Sufficient time and resources are necessary to set high quality principle-based accounting standards and to set up and execute stable project planning.
- Most members agree with a five year interval with the condition that the IASB also has periodic consultation such as annual or interim consultations.
35. One member which supports current three year interval suggests the following:
- (a) If the IASB were to proceed with the five year interval as proposed in the RFV, the IASB should take following actions:

- Clarifying that it can undertake additional projects without necessarily going through Agenda Consultations, and the role of Agenda Consultations is to confirm the completeness of the views the IASB has heard from various other channels. This is because there is a concern that a prolonged interval between Agenda Consultations would result in the IASB failing to respond to stakeholders' concerns in a timely manner.
- Clarifying the process to cease the active projects. It is relatively easy for standard setters to add projects, but the real challenge is making the decision on whether and how to cease an active agenda when the prospect of finalising the project becomes gloomy.
- Clarifying that the interval cycle be calculated from the publication date of the RFV of the previous consultation, so that the next consultation will be launched in 2020 (instead of 2021)
- Convening a session dedicated to discuss whether the IASB's agendas remain balanced and appropriate and whether there are agendas to be added or removed at least annually during the Accounting Standards Advisory Board (ASAF) and IFRS Advisory Council (IFRS AC) meetings.