

## Accounting standards: STANDARD SETTERS IN THE ASIA-OCEANIA REGION FORM A "ONE VOICE" APPROACH TO IFRS.

### New regional clout

A POWERFUL NEW ERA OF REGIONAL cooperation between standard setters has been launched with the official formation of the Asian–Oceania Standard Setters' Group (AOSSG). The group will take agreed views forward to the International Accounting Standards Board (IASB), and includes many of the region's most significant economies. The Asia–Oceania bloc is seen as an important new force given that the two major players in the adoption of international standards are the United States and Europe, with many emerging economies expressing the view that standards are largely based on those of the developed nations.

The initiative to form the AOSSG came from China, Japan and Korea and by mid-last year had drawn together 11 jurisdictions – Brunei, China, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, Hong Kong, Macau and Australia – to meet in Beijing and agree on a mechanism to ensure the regional voice would be heard. The group gained further momentum when 21 standard setting bodies adopted a memorandum of understanding (MOU) at the inaugural regional meeting in Malaysia last November. Joining the group were Cambodia, India, Oman, Thailand, Saudi Arabia, Sri Lanka, Kazakhstan, Turkey, Nepal and Uzbekistan.

Malaysia was appointed as the first chair with Japan as deputy chair.

Chairman of the Malaysian

Accounting Standards Board Encik Mohammad Faiz Azmi (pictured on opposite page) told INTHEBLACK that the formation of the AOSSG came about through recognition that the region "is an important engine for global economic growth and will continue to play a significant role in the global financial market". Many of the region's nations have adopted IFRS or declared an intention to converge with IFRS in the future. "Hence, it is important that international accounting standards address the issues of this region, of the Asian-Oceania economies and that they perceive the need for the standard setters of the region to play a more active role in the standard setting process," Faiz (pictured) says.

IASB chairman Sir David Tweedie attended the meeting.

While individual nations are represented at the IASB deliberations on standards, Faiz says that "with a combined strength", regional nations can leverage off that stronger voice to express concerns and raise issues "in a formal and holistic way" aimed at improving future IFRS moves towards the development of a single set of high-quality international accounting standards. The current AOSSG membership has also agreed to further expand by promoting participation by all nations listed by the United Nations as falling within the Asia–Oceania region – an additional 50 other member countries. While each nation can



continue to put a separate view forward, the aim is to create an overarching regional submission that best suits and caters for all participants.

Faiz acknowledges the enormity of the task, given the diversity of economic, legal and cultural issues that exist across the nations in the region. Having recognised those differences, he says, once a country signs the MOU, it is committed to meeting the AOSSG's objectives. "The MOU guidelines are not cast in stone and members agreed it will evolve as the AOSSG becomes more established in the future."

The group adopted four key objectives in its MOU as well as establishing

working groups that discussed four IASB draft technical pronouncements. The outcomes of the discussions will be included in information provided to the IASB.

The MOU objectives are:

- Promoting the adoption of and convergence with IFRS by jurisdictions in the region
- Promoting consistent application of IFRS in the region
- Coordinating input from the region to the technical activities of the IASB
- Cooperating with governments and regulators and other regional and international organisations to improve the quality of financial reporting



The four IASB draft technical pronouncements discussed were as follows:

### **IAS 39 financial instruments**

The group will consider the forthcoming exposure draft on impairment of financial assets and also the conceptual basis for the expected loss model and its practical implications for both financial institutions and for other entities with trade receivables. The group has also asked the IASB to consider consistency between the impairment model in IAS 36 and the proposed model for IAS 39. It urged the IASB to work actively with the Financial Accounting Standards Board (FASB) to achieve a converged global standard.

### **Revenue recognition**

It was acknowledged there is a need to further clarify areas of interpretation and implementation relating to the determination and allocation of transaction prices and control, particularly the notion of control as used in the Revenue Recognition Standard and other IFRSs. Discussions also centred on the proposed revenue recognition framework for “multi-buyer”



## **It is important that international accounting standards address the issues of this region**



construction contracts and other long-term contracts. The group suggested the IASB’s Revenue Recognition Project team communicate with its project leaders so that specific issues within the Asia–Oceania region can be further articulated and covered within a common set of guiding principles.

### **Fair value measurement**

Support was given for the IASB issuing

a standard on fair value measurement, with a call for the IASB to deliberate further on pricing mechanisms to resolve issues arising from the global financial crisis. Concerns were expressed on issues such as assumptions of market participants, highest and best use, and additional guidance for emerging market economies.

### **Financial statements**

Concern was expressed over the level of disaggregation and the concept of cohesiveness as outlined in the IASB discussion paper as well as the structural changes to financial statements as proposed.

Faiz says that AOSSG members will actively continue with their deliberations on the technical projects. At the same time there was tentative agreement to include additional projects into the work programs, namely consolidation, leases, insurance contracts, emissions trading schemes and financial reporting relating to Islamic finance. The group was also exploring the establishment of a website. The second meeting of the AOSSG will be held this year in Tokyo, hosted by the Accounting Standards Board of Japan. ■

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