

6 July 2015

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

Dear Hans

AOSSG comments on IASB Exposure Draft ED/2015/2 *Effective Date of IFRS 15*

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB Exposure Draft (ED) *Effective Date of IFRS 15*. In providing this feedback, the AOSSG sought inputs from its constituents within each jurisdiction.

The AOSSG currently has 26 member standard-setters from the Asia-Oceania 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 experiences 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 Asia-Oceania region and not to prevent the IASB from receiving the variety of inputs that individual member standard-setters may wish to submit. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG Revenue Recognition Working Group.

All but one AOSSG members support the proposal in the ED to amend IFRS 15 *Revenue from Contracts with Customers* so that entities would be required to apply IFRS 15 for annual reporting periods beginning on or after January 2018, while allowing earlier application of the standard. Reasons for our support are explained in the Appendix to this letter.

Although generally supportive, the AOSSG members caution that the IASB should be careful in communicating the reasons for the amendment, such that this does not set a precedent for constituents seeking amendments to the effective date of other standards, whenever the implementation is found to be challenging. In principle, the AOSSG believes that the IASB should undergo sufficient due process to carefully consider every aspect of the standard (including the effective date) before finalising the standard. Although the AOSSG generally agrees with the need to extend the effective date for this case, the AOSSG encourages the IASB to seek to improve its due process based on the lessons learnt, such that the IASB will minimize the risks of delaying the effective date in future standards. Suggestions from the AOSSG members include the following:

- To set a protocol to redeliberate the effective date when the issuance of the standard is later than originally anticipated, or to defer the final decision of the effective date until immediately before the issuance of the Standard. This would ensure that the IASB reconsider whether the effective date previously decided remains appropriate when appropriate.
- To set a formula for determining the implementation lead-time when it decides on the effective date. This would allow the IASB to update the effective date without necessarily requiring further redeliberation, if the final standard is issued substantially later than originally anticipated.

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 'Clement Chan', written in a cursive style.

Clement Chan
AOSSG Chair

 A handwritten signature in black ink, appearing to read 'Tomo Sekiguchi', written in a cursive style.

Tomo Sekiguchi
AOSSG Revenue Recognition Working Group Leader

APPENDIX – Detailed comments from the AOSSG on Specific Questions in the ED

Question

The IASB proposes to amend IFRS 15 so that entities would be required to apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018. Earlier application would be permitted. Do you agree? Why or why not?

Yes. All but one AOSSG members agree with the IASB's proposal to amend IFRS 15 so that entities would be required to apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018, while permitting earlier application.

Reasons for the support include the following:

(a) *Delay of the issuance of IFRS 15 than originally had been anticipated*

As explained in BC7 of the ED, IFRS 15 was issued considerably later than had been anticipated when the IASB set the effective date of the Standard (approximately nine months), which absorbed some of the implementation time after entities were expecting to have. Given that the effective date in the Standard was set based on the time period considered necessary between the issuance of the Standard and its effective date, the AOSSG members have found the proposed deferral of one-year is reasonable.

(b) *Anticipated positive effect on entities' financial information*

After the issuance of IFRS 15, many entities in the Asia-Oceania region have called for more time to appropriately implement the Standard. Although some entities have moved more quickly than others, these entities have found that more time is warranted, primarily for the following reasons:

- Due to the pervasive effects of the Standard, many entities have found it necessary to develop a group accounting policy, so that transactions are accounted for consistently within the group. For some multinational large companies with a large number of subsidiaries, it has proven to be a daunting task that required considerable time.
- Due to the fact that a large number of transactions are affected by the Standard, entities usually have to design and implement the information system to ensure that these transactions are accounted for in an appropriate and systematic way. Due to the limitation of the number of personnel capable of contributing to the implementation of the Standard, many entities have found that more time is necessary than originally anticipated.
- Some entities have found it difficult to interpret and apply the requirements of the Standard, especially where they have highly complex transactions. These entities and their auditors often carefully have monitored the Transition Resource Group (TRG)'s discussion and subsequent deliberation by the IASB and the FASB, and they tended to defer the judgment until relevant issues are resolved by the IASB. This delay of making final judgment has necessitated more time before implementing the Standard.

- Depending on the requirements in jurisdictions, entities are required to maintain effective internal control system subject to the auditor's review so as to ensure that financial information (including those resulting from revenue transactions) are accounted for appropriately. This created another reason for entities to call for additional time before implementing the Standard.

(c) *Prospect of promoting consistency of the effective dates between IFRS 15 and Topic 606*

The FASB signalled its intention to defer the effective date of Topic 606 by issuing the proposed Accounting Standards Update in April 2015. Based on the feedback to date, it seems highly likely that the FASB will permit a one-year deferral for Topic 606. Considering that revenue recognition standard is the converged standard between the IFRSs and US GAAP, the AOSSG members worry that creating different effective dates in two standards would significantly undermine the success of the joint efforts between the IASB and the FASB.

(d) *Need of not penalising entities having progressed with the implementation process*

The AOSSG members note that the proposed one-year deferral of the effective day is to ensure more time before implementation without changing the principles of the Standard. Thus, the AOSSG members believe that this proposed revision should not penalise entities having progressed with the implementation process to implement the Standard in time for the original effective date. In addition, the AOSSG members think that earlier application of the Standard would be potentially helpful for users of financial statements who have studied IFRS 15 and expected to see the financial information resulting from the new Standard. Accordingly, the AOSSG members support allowing earlier application of the Standard, even where the IASB decides to defer the effective date for one year.

Nevertheless, one AOSSG member disagrees with the proposal to defer the effective date of IFRS 15, even when earlier application is permitted. The member believes that deferral of the effective date of IFRS 15 would cause confusion or even frustration to entities, where a regulator is trying to implement the compatible national standard from the effective date originally stipulated in IFRS 15. In addition, this member worries that, as a matter of practice, making continuous changes to Standards after they are issued would heighten the risks of inconsistent application rather than clarification, and would not be cost effective.