

15 January 2018

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/2017/5 Accounting Policies and Accounting Estimates

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB's ED/2017/5 'Accounting Policies and Accounting Estimates (the "ED")'. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

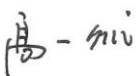
The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand,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

We received three comments from Indonesia, Korea and Saudi Arabia. The views of the AOSSG for each question are provided in Appendix.

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,



Yibin Gao
AOSSG Chair

www.aossng.org

chair@aossng.org

vice-chair@aossng.org



Il-Hong.Park

Il-Hong, Park
AOSSG Presentation and Disclosure Working Group Leader

APPENDIX – Detailed comments from the AOSSG on ED/2017/5 *Accounting Policies and Accounting Estimates*

Question 1
<p>The Board proposes clarifying the definition of accounting policies by removing the terms ‘conventions’ and ‘rules’ and replacing the term ‘bases’ with the term ‘measurement bases’ (see paragraph 5 and paragraphs BC5-BC8 of the Basis for Conclusions).</p> <p>Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?</p>

AOSSG members who commented on Question 1 generally agreed with the proposed amendment. One member suggested that the term ‘practice’ included in accounting policies should be defined or specifically described because it is not clearly defined in IFRSs.

Question 2
<p>The Board proposes:</p> <ul style="list-style-type: none"> (a) clarifying how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and (b) adding a definition of accounting estimates and removing the definition of a change in accounting estimate (see paragraph 5 and paragraphs BC9-BC16 of the Basis for Conclusions). <p>Do you agree with these proposed amendments? Why or why not? If not, what do you propose and why?</p>

One member noted that estimation is necessary because an item cannot be measured with precision and the estimation in itself implies uncertainty. In addition, the member pointed out that the term ‘estimation’ is used in defining ‘accounting estimates’, which leads to a circular problem that may leave users confused. Therefore, they suggested that the term ‘estimation’ should be deleted from the definition of ‘accounting estimates’ and the fact that accounting estimates imply uncertainty of measurement should be explained in a separate paragraph. They proposed that ‘*accounting estimates*’ are judgements or assumptions used when applying an accounting policy because of the *uncertainty* that an item in the financial statements cannot be measured with precision. They also suggested that the IASB should provide illustrative examples that apply the proposed amendments to the request from the ESMA of July 2013, which was dealt with at the IASB meeting in May 2015*.

*Agenda paper 11A, Review of IAS 8 – Distinction between changes in accounting policies and changes in accounting estimates, Appendix A – Examples of how the proposal applies to different changes, at the IASB meeting in May 2015.

One member agreed with the definition of ‘accounting estimates’. However, they suggested keeping the definition of ‘change in accounting estimates’ because it is the official reference for distinguishing such changes from errors.

Question 3

The Board proposes clarifying that when an item in the financial statements cannot be measured with precision, selecting an estimation technique or valuation technique constitutes making an accounting estimate to use in applying an accounting policy for that item (see paragraph 32A and paragraph BC 18 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

All AOSSG members that commented on Question 3 agreed with the proposed amendment.

Question 4

The Board proposes clarifying that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy (see paragraph 32B and paragraphs BC19-BC20 of the Basis for Conclusions).

Do you agree with this proposed amendment? Why or why not? If not, what do you propose and why?

One member noted that the Board proposes the selection of the two cost formulas for ordinarily interchangeable inventories constitutes a selection of an accounting policy without giving a clear reason why the Board sees no involvement of the use of judgement and assumption. They believed that selection of inventories valuation formula involves the use of judgement and assumption. They also believed that a change in inventory formula does not relate to a change in 'measurement basis' which is still the cost because 'measurement basis' is the only attribute of 'accounting policy' under the proposed amendment.

One member suggested including similar explanation in IAS 2 as well because explanation of whether a specific principle or measurement basis is an accounting policy or an accounting estimate is usually included in each relevant Standard, for instance IAS 16 and IFRS 13.

Question 5

Do you have any other comments on the proposals?

AOSSG members that commented on Question 2 have mixed views about removing example 3 from the Guidance on implementing IAS 8. One member suggested that example 3 should be retained by replacing the two changes for property, plant and equipment with other changes because the example is very useful for users and preparers in the financial statements. In addition, they suggested that the IASB should provide illustrative examples which distinguish accounting policies from accounting estimates.