

17 April 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/2014/6
Disclosure Initiative Proposed amendments to IAS 7

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB ED/2014/6 *Disclosure Initiative: Proposed amendments to IAS 7*. 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 Disclosure Initiative Working Group.

Overall, while a few AOSSG members are supportive of the IASB's proposal with some additional suggestions, most AOSSG members consider that the IASB should discuss the proposals in this ED as part of its comprehensive project on the Principles of Disclosure given that it is expected to address issues relating to IAS 7. Most AOSSG members understand that the IASB proposals are responding to user requests, however, many members fear that the costs for preparers to comply with the proposed requirements might be much higher than the IASB may anticipate while the benefits for users of financial statements might not be sufficient to offset the costs created by the proposals.

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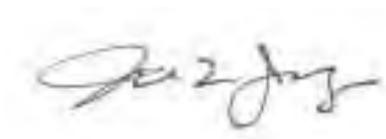
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The views of the AOSSG are explained in more detail in the Appendix. If you have any questions regarding any matters in this submission, please contact either one of us.

Yours sincerely,



Clement Chan
AOSSG Chair



Jee In Jang
AOSSG Disclosure Initiative Working Group Leader

APPENDIX

Detailed comments on IASB ED/2014/6 *Disclosure Initiative - Amendments to IAS 7*

<p>Question 1</p> <p>This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:</p> <ul style="list-style-type: none"> (a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and (b) disclosures that help users of financial statements to understand the liquidity of an entity. <p>Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?</p>

1. Most AOSSG members generally do not support the proposed amendments. These members think that it is more appropriate to consider these proposed amendments as part of the broader Principles of Disclosure (POD) project in light of the objective of that project, which includes reviewing the disclosure requirements in IAS 7.
2. These members also express the following concerns if the IASB were to proceed with the ED amendments to IAS 7.

(a) Proposed debt reconciliation

These members were informed by their constituents that the costs of preparing the proposed debt reconciliation will add to the already costly financial report preparation. Furthermore, preparers are questioning whether the proposed reconciliation would meet the common information needs of users of the financial statements. Specifically:

- (i) these members think that the debt-related information are already available in the financial statements, although perceived as being scattered in different parts of the financial statements and are not necessarily well-integrated.
- (ii) such reconciliation may be onerous without proportionate benefit, and may not be meaningful for certain high turnaround financial liability cash flows that are classified as financing activities in the statement of cash flows, e.g. bankers' acceptances, short term borrowings, inter-company advances or trust receipts.

Accordingly, these members are of the view that any benefit from requiring the proposed debt reconciliation would be outweighed by the costs of preparing the reconciliation.

(b) Proposed disclosures on an entity's liquidity

These members think that it would be more appropriate that the IASB clarifies the relationship between the current disclosure requirement in paragraph 48 of IAS 7 [relating to significant cash and cash equivalents balances held by the entity that are not available for use by the group (externally imposed restrictions)] and the proposed disclosure in paragraph 50A of the ED [relating to restrictions that would affect the decisions of an entity to use cash and cash equivalent balances (internally imposed restrictions)]; and

Some of these members were informed by users that the proposed disclosure on an entity's liquidity as proposed in paragraph 50A of the ED would add, if any, only minimal value.

3. On the other hand, a few members support the proposals.

(a) In relation to the proposed debt reconciliation

One member notes that the IASB is considering moving the project relating to cash flow reporting and related disclosures to the Performance Reporting project. As the Performance Reporting project is still in its infancy, there is a considerable risk that any improvements to cash flow disclosures could be delayed, thereby prolonging the existing information gap about debt and cash flows. This member therefore does not object to the proposed reconciliation as an interim measure, but recommends that the IASB should consider, as part of its POD project, (i) when and how reconciliation could be used to supplement amounts recognised and/or other disclosures in the financial statements, and (ii) developing principles that could be applied to address potential trade-offs from presenting information as a single disclosure in the financial statements.

Another member encourages the IASB to consider the users' information need to assess the risk associated with different financing mediums, examples of which are bank borrowing, bond issuance, asset based financing (e.g. Islamic finance) and leasing. This member notes that the amount of finance might not change during the period, but the entity may enter in a refinancing arrangement with different mediums that have different maturity and interest rate terms. Therefore, the disclosure initiative should cater for those needs. To this effect, this member suggests adding the text underlined below to the proposed paragraph 44A of the ED:

44A ...
 (a)...;
 (b)...:
 (i) changes from financing cash flows; subcategorized according to the type of the financing mediums such as bank borrowing, bond issuance, asset based financing and leasing.
 (ii)...
 (iii) ...
 (c) ...

(b) In relation to the proposed disclosures on an entity's liquidity

One member recognises that investors consider liquidity to be a key aspect of cash flow information and supports the proposal to require disclosures on an entity's liquidity position. However, this member considers that restrictions on cash and cash equivalent balances represent merely one element of liquidity. This member recommends that the IASB should conduct a comprehensive review of the disclosures about cash flow information under the Performance Reporting project as currently envisaged by the IASB, and to concurrently consider possible interactions with, and enhancements to, the existing liquidity risk disclosures of IFRS 7 *Financial Instruments: Disclosures* to reflect not only the exposure to liquidity risk inherent in financial liabilities, but also the extent to which the exposure is mitigated by other liquid assets that are held for liquidity risk management.

The same member that raised the comment in the second paragraph of 3(a) above suggests that paragraph 50A of the ED should not be limited to the disclosure on the

liquidity but extended to the disclosure on the risk associated with different financing medium. This member suggests adding the text underlined below to the proposed paragraph 50A of the ED:

50A Additional information may be relevant to an understanding of the liquidity of an entity and the risk associated with different financing medium. An entity shall consider matters such as restrictions that affect the decisions of an entity to use cash and cash equivalent balances, including tax liabilities that would arise on the repatriation of foreign cash and cash equivalent balances. Other matters an entity shall consider, especially when refinancing is arranged, are maturity and interest rate of each item for which cash flows have been, or would be, classified as financing activities in the statement of cash flows. If these, or similar, matters are relevant to an understanding of the liquidity of the entity and the risk associated with different financing medium, those matters shall be disclosed.

4. A few members do not support the proposal to require debt reconciliation (for the same reasons expressed in paragraph 2(a) above) but support the proposal to improve disclosures on liquidity. These members think that examples of cash restrictions and example the proposed disclosure requirement in IAS 7 would be helpful.

Question 2

Do you agree with the proposed transition provisions for the amendments to IAS 7 as described in this Exposure Draft (see paragraph 59)?

If not, why and what alternative do you propose?

5. Most members generally agree with the proposed transition provisions.
6. Notwithstanding the above, one member observes from the *Disclosure Initiative* (Amendments to IAS 1) that amendments to IFRS, which do not affect recognition and measurement, require disclosures related to changes in accounting policies, unless otherwise exempted by specific transition provisions. If the IASB indeed views such amendments as changes in accounting policies, this member notes an apparent conflict between paragraph BC17 of the ED and paragraph 19(b) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of specific transition provisions. This member recommends that the IASB should rectify this conflict and specify prospective application in the final amendments.

Question 3

Do the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set out in the proposed amendments to IAS 7 and the accompanying illustrative example? In particular:

- (a) are the amendments reflected at a sufficient level of detail?
- (b) should any line items or members be added or removed?
- (c) do the proposed labels of elements faithfully represent their meaning?
- (d) do you agree that the proposed list of elements to be added to the IFRS Taxonomy should be limited to information required by the proposed amendments to IAS 7 or presented in the illustrative examples in IAS 7?

7. The AOSSG received a few comments in relation to the proposed amendments to IFRS Taxonomy.
- (a) Proposed paragraph 44A requires a reconciliation for changes ‘for each item for which cash flows have been, or would be, classified as financing activities...’. Therefore, one member expects that the text "or would be" should be included in the taxonomy, as noted in the sub heading ‘line items’ in paragraph 5(b) of the proposed IFRS Taxonomy appended to the ED.
 - (b) The following items are not adequately included in the taxonomy as potential changes that may be required in the reconciliation:
 - (i) extinguishment or forgiveness; and
 - (ii) conversion or other capitalisation of debt.

Question 4

As referenced in paragraph BC20, the IASB is holding a trial of a proposal to change the IFRS Taxonomy due process. Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:

- (a) do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?
- (b) do you find the form and content of the proposed IFRS Taxonomy Update useful? If not, why and what alternative or changes do you propose?

8. One member does not disagree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued simultaneously, but suggests that the publication of the two proposals should not be combined in one document to prevent any careless misconception that the proposal on the IFRS Taxonomy Update forms an integral part of the Exposure Draft. Even though it is clearly mentioned that the IFRS Taxonomy Update does not form an integral part of the Exposure Draft in the cautionary statement at the top of the *Proposed IFRS Taxonomy Update* and in paragraph BC21 of the ED, this member is concerned that it would not be sufficiently conspicuous.
9. Another member is of the view that the IFRS Taxonomy Update should not be considered together with the Exposure Draft as they are concerned IFRS requirements may be unintentionally influenced by the technicalities of the IFRS Taxonomy. This in turn may lead to prescriptive outcome for IFRS requirements.
10. Another member reiterates that the development of the IFRS Taxonomy for the purpose of facilitating the electronic reporting of IFRS financial information through XBRL should not be part of the IASB’s standard-setting process.