

Communiqué – November 2018

The Asian-Oceanian Standard-Setters Group (AOSSG) held its tenth annual meeting on the 21st and 22nd of November 2018 in Singapore. The meeting was jointly hosted by the China Accounting Standards Committee (CASC), Singapore Accounting Standards Council (ASC), and Institute of Singapore Chartered Accountants (ISCA) and attended by 20 member standard-setters as well as representatives of the International Accounting Standards Board (IASB) and the IFRS Foundation.

The participating jurisdictions were Australia, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Japan, Korea, Macao, Malaysia, Nepal, New Zealand, Pakistan, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand and Vietnam.

At the opening ceremony, Mr. Yibin Gao, Chair of AOSSG, the Director-General of the CASC and the Accounting Regulatory Department of Ministry of Finance, China, and Mr. Kevin Kwok, Chairman of ASC welcomed participants. Madam Indranee Rajah, Minister in the Prime Minister's Office, Second Minister for Finance and Second Minister for Education provided the keynote address. She noted that global adoption of IFRS is a journey, not a destination, and those jurisdictions moving toward adopting the International Financial Reporting Standards (IFRS) were facing different challenges in this journey. She also emphasized that the AOSSG played an important role in standard setting, and the shift in economic weight the Asian-Oceanian region would provide AOSSG with more opportunities to influence international standard setting.

The IASB was represented at the meeting by the Chair, Mr. Hans Hoogervorst, Vice-Chair, Ms. Sue Lloyd, and Board members, Dr. Jianqiao Lu and Mr. Takatsugu Ochi. Also, Associate Director of the IFRS Foundation, Ms. Michelle Sansom, and the Director of the IFRS Foundation Asia-Oceania Regional Office in Tokyo, Mr. Makoto Takahashi, attended the meeting.

AOSSG-specific affairs (Members-only session)

The Secretariat updated members on the following:

AOSSG representation at Accounting Standards Advisory Forum (ASAF)

The Secretariat informed members that the AOSSG was re-appointed as a member of the IASB Accounting Standards Advisory Forum for a term of 3 years from December 2018 to 2021. Mr. Shiwaji Bhikaji Zaware, Vice-Chair of AOSSG, Chairman of Accounting Standards Board of the Institute of Chartered Accountants of India will be the individual representative. The AOSSG representative will attend the ASAF meeting together with working group leaders.

Meeting with the Trustees of IFRS Foundation

The IFRS Foundation invited the CAC to the Trustees' Kuala Lumpur Meeting which will be held on 29th-31st January 2019. Members provided feedback on their jurisdiction's challenges in adopting and implementing IFRS for input to the Trustees.

Mentoring Programme

The Secretariat updated the Mentoring Programme and encouraged all AOSSG members to participate in the programme as a mentor or a mentee.

Cambodia, Pakistan, and Sri Lanka expressed their willingness of participating in the IFRS workshop. The members' feedback on the mentoring programme will be considered for future planning.

AOSSG Membership

In November, the Financial Reporting Council (FRC) of Bangladesh applied for AOSSG membership. According to the AOSSG Membership Due Process, the FRC of Bangladesh was eligible to become an AOSSG member.

At the annual meeting, all members unanimously voted and accepted the FRC of Bangladesh to become member of AOSSG. The Secretariat officially announced the FRC of Bangladesh as the newly joined AOSSG member.

Update and discussion on IASB projects

Mr. Hoogervorst, Ms. Lloyd, Mr. Ochi, Dr. Lu and Ms. Sansom provided a summary of the 2017–2018 activities and achievements, including better communication, active projects (e.g. primary financial statements, management commentary), supporting implementation, the IFRS for SMEs standard, and the technology initiative.

Presentation and Disclosure

AOSSG members discussed the IASB's project on Primary Financial Statements. AOSSG members recognised that presentation practices of items and performance measures in the statement of financial performance are diverse, even within the same airline industry. AOSSG members noted that disaggregation of information in the statement of financial performance and in the notes is very important. AOSSG members agreed that management would need to apply judgement in distinguishing the share of profit or loss from integral associates and joint ventures

from non-integral associates and joint ventures and guidance for the distinction will be needed. AOSSG members were generally supportive of the IASB's project on Primary Financial Statements in order to improve comparability and transparency regarding presentation of the statements of financial performance. KASB presented research results for the usefulness of disclosure in the notes and AOSSG members discussed and provided constructive feedback.

Financial Instruments with Characteristics of Equity

The Financial Instruments and Liabilities Working Group (WG) leader, AASB, shared feedback received from the WG members on the proposals set out in the IASB DP/2018/1 Financial Instruments with Characteristics of Equity (DP) with the IASB representatives and wider AOSSG members. AOSSG members had mixed views on the DP proposals. Some AOSSG members suggested that IASB should proceed with the project but only after they have addressed the key areas of concern and provided better rationale for why certain outcomes that are currently well understood need to be changed and others suggested that the IASB should not proceed with the project until they consider how the principles in the DP align with those in the Conceptual Framework for Financial Reporting. A comment letter will be submitted to the IASB in December 2018 including the feedback received from AOSSG members.

Business Combinations under Common Control (BCUCC) Accounting based on Current Values vs Predecessor Values

The BCUCC Sub-WG leader, HKICPA, presented and led a discussion on possible factors to be considered in determining the measurement basis for BCUCC for the receiving entity. The factors presented were identified based on the *Conceptual Framework for Financial Reporting 2018*, and the feedback received from the HKICPA's outreach activities and research on local requirements/guidance on the accounting for BCUCC in different jurisdictions.

Most AOSSG members supported the following comments:

- The information needs and cost-benefit incentives between non-controlling interests (NCI) and the controlling party are generally different—it would be challenging to determine the measurement basis for BCUCC that are focused on a particular user group of financial reports without compromising the needs or incentives of another user group. Accordingly, in determining the measurement basis, they did not support factors like the nature and percentage of NCI in the receiving entity nor whether the receiving entity is listed.
- Following a principle-based approach, the determination of measurement basis for BCUCC should be based on a set of relevant factors instead of a single limited scope (listed entity vs private entity). The economic substance of BCUCC could be a reasonable factor in determining the measurement basis because this aligns with the principle-based requirements in IFRS and could reduce structuring opportunities. If the BCUCC has the same substance as

a business combination not under common control (BC), then a current value approach can faithfully reflect the value of the transaction. Applying an alternative accounting method (other than a current value approach) might be justifiable if the substance of a BCUCC is different from a BC.

Some AOSSG members did not consider measurement uncertainty arising from valuation should be a factor in determining the measurement basis for BCUCC as this also exists in business combinations not under common control.

HKICPA will share the insights gained by the project and the AOSSG discussion with the IASB.

Insurance contract

The KASB presented the implementation issues addressed in the IFRS 17 workshop held in Seoul on 31 October 2018 and shared its outcomes with AOSSG members. Other AOSSG members including Hong Kong, China, Australia shared their implementation issues. All the issues are currently being considered by the IASB.

Islamic Finance

The Islamic Finance WG presented a survey on the Application of IFRS 16 Leases to Ijarah (the Survey). The objective of the Survey was to understand implementation challenges of IFRS 16 to Ijarah, particularly from the perspective of an Islamic financial institution (IFI) as a lessor.

The Survey found that ijarah with an ownership transfer or ijarah muntahia bittamleek was common among WG member-jurisdictions. However, there were differences in the conduct of the ijarah whereby risks and rewards could either be with the lessee or the lessor. Therefore, accounting for such ijarah under IFRS may result in it being classified either as an operating or finance lease. This was however not applicable to WG member-jurisdictions that apply locally developed Islamic accounting standards.

The Survey concluded that no major issues were noted on the application of IFRS 16 to ijarah. Additionally, the Survey also suggests that further works need to be done to eliminate the gap between IFRS and the Islamic accounting standards.

IFRS for SMEs

The IFRS for SMEs WG reported that the AOSSG Survey on IFRS for SMEs Standard has been published on the AOSSG website on 22 February 2018. The WG is expected to commence its work in early 2019 which coincides with the IASB's Comprehensive Review on IFRS for SMEs Standard with the issue of a Request for Information (RFI).

Accounting issues involved in Bullion (Gold) Lending and Borrowing

The ICAI led discussion on ‘Accounting Issues involved in Bullion (Gold) Lending and Borrowing’ to understand the views/issues of other jurisdictions. It was noted that this issue is prevalent in various jurisdictions, namely, Australia, China, India and Sri Lanka. Members noted that the IFRS Interpretations Committee (IFRIC) has closed the matter on commodity Lending and Borrowing for the time being. Given the diversity in accounting practice, members supported the IASB addressing this issue. The IASB representatives advised that the IASB will be addressing a broader project, i.e., ‘Commodity Lending’.

Virtual Currencies

The leader of the Business Groups and Assets WG, the ASBJ and Ms. Sue Lloyd, vice chair of the IASB and chair of the IFRIC provided the an update on their standard-setting activities regarding virtual currencies. The ASBJ shared the challenges in developing its standard, in particular the issues on subsequent measurement of virtual currencies.

Update on plans/issues relating to IFRS application/implementation

AOSSG members from Saudi Arabia, Sri Lanka, Singapore and Thailand provided updates on the progress of IFRS application and implementation issues in their respective jurisdictions.

Closing remarks

Mr. Hans Hoogervorst noted that it was again a pleasure to attend the Annual AOSSG Meeting. He also emphasized the meeting was excellent and provided technical input to the IASB.

Mr. Shiwaji Bhikaji Zaware, expressed gratitude for being nominated to host the 2019 Annual AOSSG Meeting in India.

Mr. Yibin Gao expressed gratitude to all of the attendees for their participation. He noted that the topics and discussions were extensive and productive. He said the Annual AOSSG Meeting is an extension of regular communication among AOSSG members, as well as the cooperation between the AOSSG and the IASB. He reaffirmed that the AOSSG Chair and Secretariat will continuously support the AOSSG to deepen cooperation and communication among members.



About Us

The Asian-Oceanian Standard-Setters Group (AOSSG) is a grouping of the accounting standard-setters in the Asian-Oceanian region. The group has been formed to discuss issues and share experiences on the adoption of International Financial Reporting Standards (IFRS) and to contribute to the development of a high-quality set of global accounting standards.

The AOSSG plays an important role in encouraging the adoption of IFRS in the region.

The objectives of the AOSSG are to:

- (a) Promote the adoption of, and convergence with, IFRS by jurisdictions in the region;
- (b) Promote consistent application of IFRS by jurisdictions in the region;
- (c) Coordinate input from the region to the technical activities of the International Accounting Standards Board (IASB); and
- (d) Cooperate with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.

More information about the AOSSG is provided at <http://www.aossg.com/>.