

Communiqué – November 2020

The Asian-Oceanian Standard-Setters Group (AOSSG) held the 12th Annual Meeting on November 24-25, 2020. Due to an outbreak of the global pandemic (COVID-19), the Group mutually agreed to hold a virtual meeting. The meeting was hosted by the Institute of Chartered Accountants of India (ICAI) and was attended by 21 member jurisdictions of AOSSG as well as representatives of the International Accounting Standards Board (IASB) and the IFRS Foundation.

The participating jurisdictions were Australia, Bangladesh, Brunei, China, Dubai, Hong Kong, India, Indonesia, Japan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi, Singapore, Sri Lanka and Vietnam.

Dr. S. B. Zaware, Chair, AOSSG welcomed Mr. Vinod Rai, Hon'ble Trustee of IFRS Foundation from India; Mr. Atul Kumar Gupta, Hon'ble President ICAI; Mr. Nihar Jambusaria, Hon'ble Vice President ICAI; Mr. Prafulla Chhajed, Hon'ble Past President ICAI; Ms. Sue Lloyd, Vice-Chair, IASB and IASB Board Members and Officials; Mr. Nishan Fernando, Vice-Chair, AOSSG; Mr. M. P. Vijay Kumar, Chairman, Accounting Standards Board (ASB), ICAI; Ms. Parminder Kaur, Secretary, ASB, ICAI; ICAI Council members; AOSSG meeting participants and observers.

Chair, AOSSG updated members about the various tasks undertaken by the Secretariat during the last year which included refurbishment of the AOSSG website, revision of AOSSG Vision Paper, AOSSG MoU and other matters. He appreciated the continuous support of the CAC members and Vice Chair, AOSSG, Mr. Nishan Fernando in the activities of AOSSG.

Mr. M. P. Vijay Kumar welcomed the meeting participants and mentioned, the Accounting Standards Board (ASB) of ICAI, has always believed that IFRS based accounting standards best serve the interest of all stakeholders. He further highlighted, over 30,000 companies in India are complying with the IFRS converged Indian Accounting Standards (Ind AS) and expressed India's experience of participating in AOSSG and other international forums over time, has helped in seamless implementation of Ind AS. He also added India's commitment to strengthen relationships with the National Standard-Setters across the Asian-Oceanian (AO) region and that the discussions on significant accounting issues help the mutual growth of the accounting profession.

Mr. Nihar Jambusaria extended a warm welcome to all the IASB dignitaries, AOSSG members and expressed his pleasure to host this meeting. He highlighted that AOSSG being member of ASAF, is executing its responsibilities by sharing its comments to the IASB on various projects. He appreciated Chair, AOSSG for his leadership and the proactive steps taken by immediate Past President, ICAI and President, ICAI to establish dedicated Secretariat to support AOSSG activities. He appreciated IASB's continuous support to AOSSG. He mentioned, ICAI has issued Ind AS Educational materials and has also formed Ind AS Transition Facilitation Group (ITFG) to facilitate smooth implementation of Ind AS. He extended good wishes for the two-day event.

At the outset, Mr. Atul Kumar Gupta greeted all meeting participants on behalf of ICAI and conveyed that ICAI was thankful for the opportunity to host this meeting. He mentioned that Accounting Standards equivalent to IFRS define standard treatment to a particular transaction and makes Financial Statements more comparable and informative. He acknowledged the efforts of various international forums such as International Federation of Accountants (IFAC), IASB, AOSSG and others to enhance Financial Reporting. He also shared his thoughts on two upcoming concepts viz. Sustainability

Development Goals and Technology disruption. He complimented the jurisdictions for issuing COVID related guidance in the form of various materials/FAQs. He appreciated leadership of the Chair, AOSSG and extended his best wishes to the Group.

Mr. Vinod Rai thanked the Chair, AOSSG for providing him an opportunity to interact with the meeting participants and congratulated President and Vice-President, ICAI, Chair AOSSG and Chairman ASB for hosting the 12th Annual AOSSG meeting during such turbulent times. He was delighted to note presence of over 100 participants across 21 jurisdictions. As a Trustee of the IFRS Foundation, he applauded the efforts of AOSSG in contributing to the development of Global Financial Reporting Standards. He mentioned that the Group has been positively contributing to the IASB by submitting comments and other inputs on various Discussion Papers and Exposure Drafts. He further mentioned, amidst heightened focus on Environmental, Social and Governance (ESG) matters; developments in sustainability reporting and increased calls for standardisation of such reporting, the IFRS Foundation Trustees are seeking stakeholders' inputs on the need for global sustainability standards and gauging support for the Foundation to play a role in the development of such standards. In this context, he highlighted that the IFRS Foundation has published a consultation paper on Sustainability Reporting which is open for comments until December 31, 2020.

The IASB was represented, at the meeting, by Ms. Sue Lloyd, Vice-Chair, IASB; Ms. Ann Tarca, Board Member; Ms. Rika Suzuki, Board Member; Ms. Yulia Feygina, Technical Staff and Mr. Paolo Dragone, Technical Staff. The Director of the IFRS Foundation Asia-Oceanian Regional Office in Tokyo, Mr. Makoto Takahashi also attended the meeting.

AOSSG-specific affairs (Members-only session)

AOSSG MoU Amendments

The Secretariat updated members on the following two amendments proposed in the MoU which were approved by the CAC members during the CAC meetings in 2020.

- AOSSG objectives and vision –The revised AOSSG strategy approved by AOSSG members during the 11th AOSSG Annual Meeting in November 2019 resulted in revision of AOSSG objectives and vision. Accordingly, the MoU was updated in this regard.
- Virtual annual meeting– Currently, the AOSSG MoU permits to hold an annual meeting only in physical form. However, with the outbreak of the global pandemic, it was necessary to revisit this MoU and to amend the relevant clauses to accommodate holding of annual meeting via virtual mode in case of events or circumstances beyond control.

At the annual meeting, all members unanimously voted and accepted the revised MoU.

AOSSG Vision Document 2.0

Malaysian Accounting Standards Board (MASB) presented the revised AOSSG Vision Document 2.0 thereby providing details on:

- Reasons for revising the AOSSG Vision Paper of 2012, taking into account the most recent AOSSG strategic plan and development in standard setting;
- Revisions made in the Revised Document;
- Aspects from previous Vision Paper which have not been amended.

AOSSG members unanimously agreed on the Revised Vision Document 2.0. The Secretariat will host the revised Vision on the AOSSG website as an official document.

AOSSG Website – Noting item

The Chair updated that India had undertaken the task of redesigning and refurbishing the AOSSG website and that it has been successfully completed. He appreciated the support of the Australian Accounting Standards Board (AASB) in handing over the website and also acknowledged support extended by Malaysia, Korea and China for sharing backdated meeting materials/agenda papers.

Update and discussion on IASB projects

Ms. Ann Tarca, Board Member provided an update on forthcoming IFRS amendments to IAS 8, *Accounting Policies and Accounting Estimates* and IAS 1, *Presentation of Financial Statements*. IASB also shared updates on various consultation projects including General Presentation and Disclosures, Review of the IFRS for SMEs Standard, Business Combinations—Disclosures, Goodwill and Impairment, Business Combinations under Common Control, other projects including Dynamic Risk Management and Financial Instruments with Characteristics of Equity, work of the IFRS Interpretations Committee and IASB work plan for 2022–2026.

Farewell speech of Mr. Hans Hoogervorst, Chair, IASB

Mr. Hans Hoogervorst, expressed his pleasure to attend the Annual AOSSG Meeting and also mentioned about this meeting to be his last AOSSG meeting as Chair, IASB. He informed that IASB has issued various educational materials to support application of standards such as IFRS 9, *Financial Instruments* and IFRS 16, *Leases*, during the Covid-19 pandemic. IASB also has worked swiftly to amend IFRS 16 in relation covid-19 related rent concessions. In addition, IASB made changes in their work plan to provide more time to the stakeholders for the on-going and upcoming consultations. Further, he touch-based on various projects successfully undertaken under his Chairmanship in the past 10 years. Lastly, he thanked the AOSSG members and the National Standard-Setters for the views exchanged and contributions made.

Business Combinations under Common Control (BCUCC) education session

The HKICPA, the BCUCC sub-working group leader, and the IASB BCUCC project team jointly hosted an education session on the IASB DP/2020/2 Business Combinations under Common Control (DP). First, the IASB BCUCC project team presented an overview of the DP, which included the IASB’s preliminary views on when to apply which measurement methods to BCUCC and how each method should be applied. The HKICPA then presented the project plan and the next steps for AOSSG. Some AOSSG members shared their existing accounting practices on BCUCC and initial feedback on the DP. AOSSG members noted that BCUCC are common within the region and supported the AOSSG project plan on the DP, including submitting a comment letter to the IASB.

Issues involved in preparation of Separate Financial Statements

The Institute of Chartered Accountants of India (ICAI) presented the issues involved in preparation of Separate Financial Statements (SFS). Following issues were presented before AOSSG members and views were sought on the practices being followed in their respective Jurisdictions:

- (1) What constitutes “Investment in subsidiaries, associates and joint ventures”, whether instruments like debt and non-cumulative irredeemable preference shares are part of investments in subsidiaries, associates and joint ventures for the purpose of application of IAS 27, *Separate Financial Statements*.
- (2) Meaning of the term “cost” in SFS and highlighting the need for guidance as to how to ascertain the cost of investment.
- (3) Derecognition of investment in subsidiaries carried at cost in SFS.

Korea Accounting Standards Board (KASB) representative agreed that there are issues involved in preparation of SFS particularly, due to lack of the definition of the term “cost” in IAS 27. Therefore, defining the term “cost of investment” in context of IAS 27 may resolve many issues.

With regard to issue stated in (1) above, the IASB Vice-Chair responded that for the definition of “Investment in subsidiaries, associates and joint ventures”, guidance given in IAS 28, *Investments in Associates and Joint Ventures*, with regard to “investments” may be referred. Similarly, for meaning of the term “cost” in issue (2) above, guidance in other IFRS Standards may be referred.

With regard to common control transaction, IASB Vice-Chair explained that unless a Standard specifically excludes common control transactions from its scope, an entity applies the applicable requirements in the Standard to common control transactions. In this regard, transactions should be as for arm’s length transaction. In addition, following IAS 1, *Presentation of Financial Statements*, entities should consider whether there are any contributions to or from equity.

Australian Accounting Standards Board (AASB) representative stated that some issues related to SFS mentioned above were also discussed at the last IFASS meeting where a project was introduced with plan to conduct further research in this area. It was suggested that India can join the project team and share its issues to present a list of the main issues at future IFASS meetings.

Experiences and Challenges in implementing IFRS 9, Financial Instruments and IFRS 17, Insurance Contracts: Brunei

The Brunei Association of Banks (BAB) shared the issues and challenges encountered by the banking industry in Brunei Darussalam in the implementation of IFRS 9, *Financial Instruments*. Some of the challenges shared was the difficulty faced on the requirement to enhance their data systems and capabilities to accommodate extensive data requirements especially in obtaining the historical data for analysis. Taking into account, IFRS was relatively new in Brunei, hiring of experienced accounting talent and credit practitioner who understood IFRS 9, *Financial Instruments* was a significant challenge. While the pool of experience has since increased by 2020, this remain a small pool and further professional developments are required as the ongoing use of IFRS 9, *Financial Instruments* does introduce additional challenges. With the outbreak of the COVID-19 pandemic, further technical assessment is required to determine its impact and the effect of economic support and relief measures to credit risk.

COVID-19 has introduced a high level of uncertainty and a sudden change in the economic environment of the banking industry in Brunei Darussalam.

With the 2023 coming deadline, Brunei Insurance and Takaful Association (BITA) shared their challenges in implementing IFRS 9, *Financial Instruments* and IFRS 17, *Insurance Contracts*. With IFRS 17, *Insurance Contracts*, the industry in general, are treating the IFRS implementation as a compliance exercise, whereas there are others who take the opportunity to perform upgrades to their system infrastructure and finance information. However, there are some Takaful players that are of the view that IFRS 17, *Insurance Contracts*, erodes their Takaful preposition and models by forcing comparability with conventional insurers and the uniqueness of Takaful's mutualisation approach is lost within the framework of IFRS 17, *Insurance Contracts*, since it is largely using a profit driver objective. Thus, the biggest challenge remains the lack of understanding and awareness on the complexity of IFRS 17 within the insurance and accounting community in Brunei Darussalam as well as the shortage of insurance talents that leads to difficulty in creating the buy in, knowledge transfer and the change management in the implementation process. Finally, in general, the lack of understanding especially on the slow realization of the change required under both IFRS, combined with lack of urgency has led to a fear of change.

Improving going concern disclosures and basis of preparation where an entity is no longer a going concern

The New Zealand Accounting Standards Board (NZASB) presented its recent issuance of new specific going concern disclosure requirements which were an addition to the current disclosure requirements in IAS 1, *Presentation of Financial Statements*.

The objective of these new disclosure requirements was to address the concerns amplified by the COVID-19 pandemic which included:

- diversity in practice over the information provided when the financial statements were prepared on a going concern basis, but management were aware of the events or conditions that may cast significant doubt on this judgement; and
- perceived disconnect between the disclosure requirements in accounting and auditing standards.

The Australian Accounting Standards Board (AASB) presented a case for international standard-setting. The AASB argued that the current requirements when an entity determines the going concern basis is no longer appropriate and do not specify how the basis of preparation should be adjusted or what the revised basis should be.

The AASB also noted mixed views and diversity in practice relating to the revised basis of accounting in these circumstances. The AASB recommended the IASB carry out a fundamental review of the requirements relating to the going concern basis of accounting where the going concern assumption is no longer appropriate and a research project to evaluate the need for standard-setting activity.

AOSSG members who commented supported the IASB undertaking a project on matters relating to going concern. Many participants noted that such information is material to users' decision-making.

Participants also noted that revising the principles in the context of the IASB's Disclosure Initiative project would be important.

Research On “Going Concern Disclosure: Evidence from Indonesia”

DSAK – IAI represented by 4 (four) academic board members conducted a survey during a workshop held by University of Gadjah Mada, targeting practitioners, academicians, and postgraduate students on “going concern assumptions during and post-global pandemic COVID-19”. The survey was motivated by 3 (three) main issues: (1) conflict definitions between accounting and auditing standards; (2) adequacy of going concern; and (3) Covid-19 highlighted questions among preparers and users. 759 respondents participated in the survey (24.37% practitioners, 34.52% academicians, and 41.11% postgraduate students).

On average 70.00% of the respondents had doubts about the going concern assumptions, 93.00% and 91.00% agree that the going concern assumptions need to be revisited by the board and this is the right time for the standards setters to revise financial accounting standards by adding more specific disclosure requirements when assessing the going concern of an entity as there is a consideration of material uncertainty due to the COVID-19 pandemic. 86.00% of the respondents agree that this is the right time for the standards setters to revise financial accounting standards by adding requirements for recognition, measurement and presentation for accounts affected by the non-compliance of the entity's going concern assumption due to COVID-19.

However, the agreement to revise the standards was not backed up by strong arguments why changes were needed, instead, those who disagree made a strong justification that the existing standards have guided the going concern assumptions as outlined in PSAK 8 (IAS 10) - *Event after the Reporting Period* and PSAK 71 (IFRS 9) - *Financial Instruments*. Currently, no recommendations were made as currently, only preliminary study has been conducted. Ongoing work including presentation to the board members, establishment of proper process is still in progress.

A Need for International Accounting Standard That Deals with Liquidation – KSA Experience

Saudi Arabia represented by The Accounting Standards Committee (ASC) at Saudi Organization of Certified Public Accountants (SOCPA) shared its experience in drafting a standard that assists the public in preparing financial statements during liquidation proceeding. Going concern is one of the main assumptions in IFRSs. There are alternatives on how financial statements should be prepared when going concern does not apply. The uncertainty around global economy due to COVID-19 has increased the need to have a guidance on such matter. ASC has conducted a survey and reveals the various financial reporting practices. Therefore, initiated a project to set a standard for financial reporting during liquidation or financial reorganization which the bankruptcy law reform in 2018 introduced the latter.

The up-to-date project process has been presented including the methodology and due process. The survey conclusion and outreach preliminary results demonstrated and supported the recommendation to IASB to consider issuing a standard for liquidation basis opposed to going concern.

IFRS adoption and implementation experience: Mongolia

The Mongolian Institute of Certified Public Accountants (MonICP) provided a brief background about the legal environment for IFRS implementation in Mongolia and shared MonICPA's experiences and challenges faced on introduction and implementation of IFRSs.

In Mongolia, as required by the Accounting Law amended in 2016, Accounting and Auditing Standards Committee was set up. This Committee is chaired by the Deputy Finance Minister and has approved official translation of IFRSs for SMEs as of 2015 and full IFRSs 2018 for publication. Further, national standards on Biological Assets and Agriculture Products, Accounting of Revenue and Expenses by Construction Contracts and Accounting in Mining sector were also issued.

Highlighting on translation work, MonICPA mentioned that it has a good track on selection and hire qualified professionals to perform high quality translation. The 1st phase review of translation is done by MonICPA staff which is then submitted to the Standards Committee for the next phase-review. MonICPA has a good communication with IFRS staff who handle translation related tasks, including contract and royalty etc.

MonICPA summarised the difficulties and challenges faced on account of implementation of IFRSs and mentioned:

- Business combinations, accounting for financial instruments and fair value accounting are listed as top issues.
- Further, accountants in Mongolia do not have expertise and skills to determine fair value and some assets require qualified appraiser, which tends to increase the cost and workload of standard implementation.
- Discrepancies are also observed between the requirements of the tax system and IFRSs related to the tax system thereby making it difficult for both, the preparers and the users of the financial statements.
- With regard to training, it highlighted that there is a need to improve the joint efforts of the relevant organisations in training accountants (at the university curriculum level by introducing practical applications, training in accordance with the new and updated standards etc.)

IFRS implementation Experience: Pakistan

The Institute of Chartered Accountants of Pakistan (ICAP) shared its experience about the IFRS adoption status, adoption process, and associated implementation challenges in Pakistan. A differential financial reporting framework is followed in Pakistan. IASB issued standards are part of accounting framework for all public interest companies and large-sized foreign branches, and IFRS for SMEs are used by medium-sized companies and foreign branches, while, for small-sized companies and NPOs two separate sets of standards have been developed.

The Securities and Exchange Commission of Pakistan (SECP) being the corporate regulator is responsible for the scoping and notifying of financial reporting framework. ICAP is responsible for recommending the adoption of IFRS Standards and IFRS for SMEs to SECP, and it executes its responsibilities through a multi-stakeholder Accounting Standards Board (ASB). The ASB, formulated

with the objectives to establish and design more inclusive, transparent and robust process of adopting and prescribing accounting and financial reporting standards, recommends on the adoption of an accounting standard after carrying out the due process including the stakeholder consultation, outreach and awareness. It also provides continuous implementation support on accounting and financial reporting matters to all stakeholders, including corporate and banking regulators. ASB has also issued accounting guidances and pronouncements on areas which are not specifically covered in IFRS Standards, such as non-going concern accounting and business combinations under common control.

In view of the practical implementation challenges prevalent due to the economic and regulatory environment of Pakistan, few exemptions and deferments from IFRS requirements have been granted by SECP and SBP (the central bank). However, under a joint-project, SECP and ASB are working together for the elimination of these departures from IFRS Standards.

The key success factors of Pakistan financial reporting regime include; policy of alignment with IASB driven international accounting standards, establishment of robust relationships and cooperation among all stakeholders (investors, preparers, regulators, auditors), consideration of the effects of international convergence on small and medium-sized entities and accounting firms, and capacity building through continuous implementation guidance and support. The key financial reporting related initiatives and objectives for upcoming period include; elimination of departures from IFRS Standards, digital financial reporting - using iXBRL, accounting of islamic financial products and enhanced implementation support to stakeholders on all accounting and reporting matters.

AOSSG survey on IFRS 17, Insurance Contracts and implementation issues in Korea

AOSSG survey on IFRS 17 and implementation issues in Korea

The Insurance Working Group (WG) leader, the KASB, shared the survey results on AOSSG member jurisdictions' plans for IFRS 17 adoption and the implementation issues thereof with the IASB representatives and AOSSG members. One of the IASB members also shared the EU's implementation status of IFRS 17 and her view on how Covid-19 had affected insurers' preparation for implementing IFRS 17.

Implications of IFRS 17, Insurance Contracts & IFRS 9, Financial Instruments, Test-runs conducted by Samsung Life Insurance

The KASB's visiting fellow from Samsung Life Insurance, one of Korea's life insurers, introduced the company's IFRS 17 implementation issues found through its IFRS 17 & IFRS 9 Test-runs. He said that insurers should consider business strategies and interest rates at the transition to determine how long to apply the retrospective approach. He also mentioned that it was necessary to review practical guidelines for the VFA eligibility criteria and to consider diverse ways of stabilizing profit or loss under the general model.

IASB Request for Information (Rfi): Comprehensive Review of the IFRS for SMEs Standard

The Specific Topics – IFRS for SMEs Working Group (WG) leader, the Malaysian Accounting Standards Board, shared feedback received from the WG and wider AOSSG members on the Rfi proposals.

There were differing views on the alignment approaches, with some supported the position taken in the Rfi using the Simplified IFRS Standard approach (i.e. align IFRS for SMEs Standard with full IFRS Standards) while others supported the Independent Standard approach (i.e. update IFRS for SMEs Standard only for specific issues arising from the application of the Standard). The latter commented on the importance of understanding the original objective of developing the IFRS for SMEs Standard in determining the most appropriate alignment approach, as well as the timing and extent of alignment. They also emphasised the importance of appreciating the different role and authority of Section 2 Concepts and Pervasive Principles and the 2018 Conceptual Framework as the former carries the authority of a Standard whereas the latter is not itself a Standard. Consequently, unlike the Conceptual Framework, Section 2 must be consistent with the rest of the Sections in the IFRS for SMEs Standard.

There were also suggestions for (i) a fourth alignment principle, that is, ‘cost benefit considerations’ as a fourth alignment principle apart from the three principles (relevance, simplicity and faithful representation) as stated in the Rfi; and (ii) staggered effective dates (i.e. emulating phased approach for ‘big four’ new IFRS Standards instead of a big-bang approach) for affected Sections should IASB decide to align IFRS for SMEs Standard with the new IFRS Standards such as IFRS 9, *Financial Instruments*; IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases* and a modified retrospective approach with no restatement of comparative information.

CLOSING REMARKS

Ms. Sue Lloyd, Vice-Chair, IASB expressed her pleasure stating, attending the AOSSG meeting involves thought provoking discussions. Further, she also mentioned, as a standard-setter, it is interesting to know the experiences shared by the AOSSG members on applying IFRSs and the implementation challenges faced by the jurisdictions.

Mr. Nishan Fernando, Vice-Chair, AOSSG articulated appreciation for being nominated to host the 2021 Annual AOSSG Meeting in Sri Lanka. Further, he placed on records the official vote of thanks to the IASB representatives, ICAI officials and the meeting participants.

Dr. S. B. Zaware thanked the meeting participants for their participation. He reiterated that with the support of AOSSG members, AOSSG Chair and Secretariat will continuously work to achieve the AOSSG objectives. He highlighted the Secretariat will soon initiate the process for Vice-Chair nomination in 2021 and wished for a physical Annual AOSSG meeting in 2021. He noted that two jurisdictions have also agreed to host Annual Meetings in the near future viz. Nepal, Saudi Arabia. He also appealed AOSSG members to share guidance and/or other materials issued by the National Standard Setter which may be helpful for other jurisdictions, as well. The Secretariat may host the educational materials on AOSSG website.