Communiqué – November 2023

INAUGURATION

The Asian-Oceanian Standard-Setters Group (AOSSG) held its 15th annual meeting on the 21st and 22nd November 2023 in Brisbane, Australia.

The meeting was hosted by the Accounting Standards Board of Australia (AASB) and attended by 18 member Standard-Setters as well as representatives of the IFRS Foundation [International Accounting Standards Board (IASB) & International Sustainability Standards Board (ISSB)].

The participating jurisdictions were Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Macao, Malaysia, Maldives, Mongolia, Nepal, New Zealand. Pakistan, Saudi Arabia, Korea, Sri Lanka and Vietnam. In addition to that, Fiji was attended as an observer to the Annual Meeting.

The IFRS Foundation was represented at the meeting by Dr. Andreas Barckow- Chair of the IASB, Ms. Rika Suzuki - Board member of the IASB and Mr. Hiroshi Komori – Board member of ISSB. Also, Mr. Samuel Prestidge Strategy Lead of ISSB and Ms. Elena Kostina - Technical Staff of IASB attended the meeting.

On behalf of host jurisdiction, Dr. Keith Kendall from AASB welcome the members to 15th AOSSG Annual Meeting. Then, Mr. Nishan Fernando – Outgoing Chair of AOSSG had read the resolutions and requested to clarify the concerns if any from the members of AOSSG who presented at 15th AOSSG Annual Meeting. However, since there were no concerns raised by members of AOSSG, both resolutions had passed unanimously. With that, Outgoing Chair handed over the position of Chair symbolically by handing over the Bell to Incoming Chair of AOSSG Mr. Rana Usman Khan while thanking members of CAC, members of AOSSG, IFRS Foundation, Incoming Chair of AOSSG and Secretariate of for the enormous support granted during his tenor as Chair of AOSSG. Then, Mr. Rana Usman Khan expressed his aspiration to fully coordinate the accounting standard setters in the region, deliver their views to IASB and promote the development of one single set of high-quality global accounting standard. Finally, Members ratified the appointment of Dr. Keith Kendall, Chair of AASB as the AOSSG Vice-Chair for a term of two years.

At the opening ceremony, Dr. Andreas Barckow delivered a speech emphasizing the relationship between AOSSG and IFRS Foundation and Mr. Andrew Mills Chair of Financial Reporting Council of Australia provided keynote address while emphasizing the important role of Accounting and Sustainability Standards in the Global while encouraging members to actively participant in the standard setting process of IFRS.

Finally, Dr. Keith Kendall concluded the Inauguration session with vote of thanks.

Special Session 1: IASB Technical Update (Q&A with IASB Chair and IASB Member)

Dr. Andreas Barckow and Ms. Rika Suzuki from IASB jointly presented on IASB Technical updates which included IASB Work plan overview, Key forthcoming publications in H12024, IASB Technical work – other projects, Connectivity with the ISSB and Digital Financial Reporting.

Technical Session 1: Service Performance Reporting Project Overview

Mr Fridrich Housa, Director at the Australian Accounting Standards Board (AASB), provided an overview and update on the Service Performance Reporting Project. The presentation informed the AOSSG delegates about the project objective, its current status, potential future disclosures as a result of this project and the expected next steps. The ensuing discussion amongst the participants highlighted existing service performance reporting practices locally and internationally across public and not-for-profit private sectors and assurance implications of any resulting pronouncement.

Technical Session 2: Statement of Cash Flows

Dr. Huaxin Xu from China Accounting Standards Committee (CASC) presented some preliminary research findings on the statement of cash flows project, based on questionnaire and outreach with Chinese stakeholders. The research mainly focused on three topics: the usefulness of the information provided in the statement of cash flows, the potential practical issues in the application of IAS 7, and some proposals for the IASB's future work on the statement of cash flows.

Most Chinese stakeholders believe that the statement of cash flows of non-financial entities could provide useful information, but doesn't fully meet the information needs, and that the statement of cash flows of financial entities such as banks and insurance companies just provides limited useful information.

There are some practical issues that need to be addressed to improve the comparability and usefulness of the statement of cash flows, including classification of cash flows, definitions of cash and cash equivalents, cash flows presenting and disclosures, the statement of cash flows of financial entities, coordination between IAS7 and other accounting standards, and so on.

In order to support and assist the IASB's future work on the project, the CASC recommended the IASB:

- to conduct outreach in different jurisdictions to further identify the information needs of different stakeholders and the practical issues in the application of IAS 7;
- to add a research project to the work plan as soon as possible, in order to address urgent practical issues; and
- to strengthen the communication and collaboration with NSS and make full use of the research results and findings of NSS.

The AOSSG members and representatives from the IASB appreciated the research and presentation from the CASC. Some AOSSG members mentioned that these practical issues were also common in their jurisdictions. The AASB and the ICAI were respectively concerned about the reporting of supplier finance arrangements, and the definitions of cash and cash equivalents. The IASB acknowledged the need of the NSS's support on this project and suggested the NSS focusing on the users' information needs and the priority of practical issues when proceeding future research.

Panel Discussion: Post-implementation Review of IFRS 15 Revenue from Contracts with Customers

Ms Helena Simkova, Director at the AASB, participated in a panel discussion with two other AOSSG members from Korea and India, Ms Jiseong Yu and CA. Pramod Jian to discuss the stakeholders' feedback on the post-implementation review (PIR) of IFRS 15. The AASB obtained feedback from several outreach activities including but not limited to the AASB Disclosure Initiative Advisory Panel, AASB User Advisory Committee and individual interviews.

Overall, the majority of stakeholders considered the objective of IFRS 15 has been met. However, feedback was mixed relating to the understandability, ongoing costs and benefits of the Standard. In particular, stakeholders noted:

(a) the accounting outcomes may not be substantially different in comparison to previous revenue standard outcomes, but IFRS 15 requires more work in respect to application, which means increased difficulty for non-technical accountants;

(b) challenges when explaining the concepts to business leaders and operational staff and the language is too technical, making the Standard difficult to understand;

(c) challenges arise with business complexities, for example:

  (i) where goods or services are bundled with other products and not sold separately and the Standard does not prescribe a particular method, creating diversity in practice;

(ii) variable consideration, which can only be recognised if it is highly probable that reversal will not occur, can be challenging to justify in practice especially where there can be conflicting views between preparers and auditors on what highly probable is; and

(iii) the principle versus agent assessment in IFRS 15 can have a material impact especially where Australian stakeholders do not understand that the control concept is the key consideration in the assessment. There are difficulties in determining what the performance obligation is and when the control passes for back-to-back arrangements where the reseller is not involved in ongoing support;

(d) the application of IFRS 15 with other IFRS Accounting Standards is unclear, especially the interaction of IFRS 15 and IFRS 16 *Leases* where there is complexity relating to separating lease and non-lease components when the lease and revenue contract terms differ. IFRS 15 requires determining the transaction price based on the existing contract (without considering renewal) whilst IFRS 16 requires the lease payments to include payments over the lease term, resulting in a high-level estimation in these circumstances. There is also complexity and existing diversity relating to sale and leaseback transactions.

Ms Simkova recommended that the IASB provide further guidance and illustrative examples to address the concerns noted by the stakeholders.

Ms. Jiseong Yu from Korea Accounting Standards Board (KASB) presented on the outreach on the RFI (PIR of IFRS 15) and shared the feedback from stakeholders in Korea. The topics discussed during the session are as follows:

(i) Overall assessment of IFRS 15 in Korea

(ii) Identified issues of IFRS 15 in Korea

(iii) Stakeholders' feedback on the RFI (PIR of IFRS 15) in Korea

On the first topic, stakeholders have generally assessed that the new accounting standard is working well in practice but have indicated that there are some application issues. Specifically, some noted that the five-step model for revenue recognition is working well and does not show any fatal flaws but suggested that some clarifications or illustrative examples are necessary to account for certain transactions.

Regarding the second topic, major industries have noted that newly emerging businesses have significantly demonstrated higher diversity in practice compared to traditional manufacturers. The main industries clearly demonstrating issues are the bio & pharma, platform, and software industries. Other examples of diversity emerged in stakeholder's responses, including a lack of clarity in accounting for negative net consideration and collaborative arrangements.

On the 3rd topic, the KASB highlighted specific fact patterns causing challenges to stakeholders while discussing each question provided in the 'request for information' from the IASB.

Finally, in response to questions from the moderator, the KASB responded that:

(i) Regarding the proposal that considers 'underlying intentions' as one of the criteria to account for nega tive net consideration, the KASB has expressed concern that the proposal may not be able to reflect th e economic substance of each transaction. In addition, it is quite difficult to define what is the underly ing intention of the contract. Moreover, stakeholders in Korea have recommended providing specific g uidance or illustrative examples in relation to prevalent fact patterns.

The most important issues that the IASB should consider are 'principal versus agent considerations' and 'licensing arrangements.

As a part of panel discussion with Australia and Korea, CA. Pramod Jain made a presentation on the implementation issues in IFRS 15, *Revenue from Contracts with Customers*; in Indian jurisdiction. He mentioned that major issues in implementation of IFRS 15 arise in the context of determination of the transaction price and principal versus agent considerations.

With respect to determination of transaction price, following issues were highlighted by CA. Pramod Jain:

1. Issues pertaining to determination of customer and accounting and presentation of marketing incentives paid to end customers (i.e., whether incentives should be charged as promotional expense or netted from revenue) are prevalent in entities providing an e-commerce platform for sale of goods/services or fintech companies.
2. He explained that if the cash-burning incentives paid by start-ups are adjusted against revenue, it will result into negative revenue (either at aggregate level or at the entity level) and will not represent a true and fair view of the state of revenue because from a business economic rationale, such incentives form part of promotional activity.
3. A Ltd., an IT company providing software development services, pays to customers for continuing with some of its existing vendor contracts for some (short) period (although services covered by such contracts are within the scope of contracts entered into by the IT company) in order to avoid penalty for pre-mature termination or transition/administrative convenience. In this regard, following issues were pointed out by CA. Pramod Jain:
   - Whether such amount is reduction of revenue or a cost of obtaining a contract (asset).
   - Whether the frequency of payments will impact the accounting.
4. Diversity in practice exists whether penalty is to be considered as variable consideration in all cases or the accounting treatment depends on the substance of the contract.
5. Accounting treatment of delayed payment charges levied on customers where the charges are directly linked with the passage of time and the quantum of the same depends on timing of payment by the customers (i.e., whether such charges are in the nature of financing component and not penalty).

With respect to principal and agent considerations, CA. Pramod Jain mentioned that strict application of the indicators in paragraph B37 may not represent the substance of the contract or bring in complexities in the assessment. For example, in arrangements entered into by a commodity entity where goods are shipped directly from the supplier to the customer, the assessment of control by the entity can be challenging since:

- Entity does not take physical possession of the asset.
- Entity may take legal title to the good only momentarily.
- Supplier transfers title and risks and rewards to the entity but these are simultaneously transferred to the customer – these pass on the entity only momentarily.

Technical Session 3: Applying Materiality Judgments - research findings from New Zealand and Malaysia

AASB-MASB Research Report: Making Materiality Judgements: Malaysian Preparers and Auditor's Perspectives

Ms. Tan Bee Leng from MASB presented key findings from their recently published joint Research Report *Making Materiality Judgements: Malaysian Preparers and Auditor's Perspectives* ("the Report"). The Report is a collaboration of the AASB and MASB, in response to the IASB's call for research to obtain evidence about the effects of its literature on materiality, in particular, *Definition of Material* (Amendments to IAS 1 and IAS 8), which consequently amended IFRS Practice Statement 2 *Making Materiality Judgements* (IFRS PS 2).

Findings of the Report reflect evidence gathered through 35 interviews with fifteen Malaysian preparers and twenty auditors from Malaysia's major and medium-sized firms. Among others, the research demonstrated that there was a common understanding of the materiality concept that aligns with IFRS literature, particularly IFRS PS 2; provides clear guidance regarding the principle-based approach to assessing materiality as defined in IAS 1, serving as a tool in the materiality assessment process and helping with providing better communication in financial reporting; and guidance in IFRS PS 2 has helped the interviewees in the process of preparing financial statements and in auditing those financial statements in compliance with IFRS Accounting Standards, taking into account both the quantitative and qualitative factors of the materiality assessment. That said, the Report also documented interviewees' general perspective on the need to apply materiality judgement as well as regulators' expectations on disclosures in financial statements.

CASC shared that China's academia from Xiamen University had also responded to the IASB's call for research on the same topic. CASC shared that in contrast to the findings of the Report, China's stakeholders found that the application of materiality continues to be a challenge, particularly in the assessment of the qualitative factors.

MASB noted the learning point whereby in doing future research, it will consider feedback from not only the top publicly listed companies but also the medium and smaller-sized companies, as feedback from the latter group might provide different perspectives in applying principles of IFRS Accounting Standards, including making materiality judgements.

Massey University Research Report commissioned by the NZASB: Applying Materiality Judgements Research Project

Ms. Carolyn Cordery from NZASB presented key findings from recently completed research commissioned from Massey University Applying Materiality *Judgements Research Project* ("the Report"). The research was also undertaken in response to the IASB's call for research to obtain evidence about the effects of its literature on materiality, in particular, *Definition of Material* (Amendments to IAS 1 and IAS 8), which consequently amended IFRS Practice Statement 2 *Making Materiality Judgements* (IFRS PS 2).

The Report's findings reflect evidence gathered through content analysis of 40 listed entities financial statements from 2018-2021 on these entities' disclosure practices relating to IFRS 15: *Revenue from Contracts*. Examining whether changes had occurred provided examples of static disclosures and change. This analysis informed in-depth semi-structured interviews with ten CFOs and audit committee chairs of listed companies and four regulators. Participants had similar definitions of material disclosures as those for which the inclusion or otherwise would impact users' decision-making (per the IASB literature). New Zealand reporters made less use of IFRS PS 2, as domestic encouragement to consider materiality in disclosure and reduce 'overload' was published by a New Zealand regulator - the Financial Market Authority - in 2014 and 2018. Many interviewees noted they used this guidance instead of IFRS PS 2, but it is very similar and references it.

Nevertheless, the Report's content analysis shows disclosures are increasing. Greater disclosures were attributed to increasingly complex reporting standards and Boards' increased risk aversion. Regulator sensitivity was also cited as an issue that could increase disclosures. Many preparers undertook a decluttering exercise in 2017 and 2018, but few changes have occurred to more recent IFRS15 disclosures. Preparers explained that reducing irrelevant or immaterial information can be an expensive exercise and is not undertaken each year, although disruptions such as auditor rotation are helpful as a new auditor can provide a fresh set of informed eyes to query their work.

Hence, the Report shows that it is important to reinforce the materiality message and to make IFRS P2 more readily available on standard-setters' websites in order to reinvigorate the message on the importance of good quality and 'decluttering. The interviewees also encouraged standard setters to consider the reporting burden when developing standards and to consider devising the reporting strategy overall before adding more.

AOSSG participants noted that, while it is encouraging that entities are considering their disclosures, the content analysis shows entities tend to repeat their disclosures from year to year. It can be challenging to assess disclosures on a qualitative basis and it will be important to consider materiality in disclosures as climate related and other sustainability reporting progresses.

Technical Session 4: Adapting governance to respond to new reporting challenges

Dr. Keith Kendall, Chair of the AASB provided the Australian perspective on adapting governance to respond to new reporting challenges and the insights into the AASB's approach to address sustainability reporting under its current structure. Dr. Kendall outlined that the Financial Reporting Council provides broad oversight of the financial reporting framework in Australia with the AASB responsible for developing accounting standards and the Australian Auditing and Assurance Standards Board (AUASB) responsible for developing the auditing standards.

Dr Kendall discussed the collaboration of the AASB and the AUASB working on various projects including the decision made in 2021 for the AASB to address sustainability reporting (at that time referred to as Extended External Reporting) while the AUASB would address assurance matters relating to sustainability reporting. An alternative approach considered was the formation of a separate board that would deal with sustainability reporting matters. This option could address possible lack of expertise in sustainability reporting of the current Board, lack of resources and competing priorities with developing sustainability reporting while maintaining financial reporting projects.

Dr Kendall outlined the main justifications for a single Board, that is, for the AASB to address sustainability reporting include:

(a) Its existing experience in standard setting. A new Board would likely comprise of individuals without standard-setting experience.

(b) Its ability to undertake tasks immediately given the establishment of a new board would likely take several years. During this time, international developments would have taken place without Australia's input.

(c) Maintain connectivity with the development between financial and sustainability reporting to ensure any developments affecting both areas can be acted upon promptly.

(d) Established relationship with the AUASB would ensure audit developments are not neglected.

Dr Kendall also discussed some further advantages of the current structure for the AASB to address both financial and sustainability reporting matters, especially with the concept of connectivity between the two reporting requirements. By appointing sustainability specialists to a generalist Board, existing AASB members were able to learn from sustainability. This learning effect/specialisation is consistent with the AASB's pre-existing structure where Board members each have their specialist area of expertise which is also reflected in how discussions are generally structured. Therefore, having three sustainability reporting specialists to lead the discussion on sustainability reporting as part of a larger Board is consistent with the pre-existing structure, enabling other generalist Board members to upskill in sustainability reporting matters, and vice versa for sustainability specialist Board members in financial reporting matters.

Technical Session 5: Updated review of Islamic financial institutions' financial statements

Ms. Nadiah Ismail from MASB being the leader of the AOSSG Islamic Finance Working Group presented the Working Group's recent work on the Updated review *of Islamic financial institutions' financial statements* ("the Update"). The Update reviewed 119 Islamic financial institutions' (IFIs) financial statements that were made publicly available as of July 2022, following up from its preceding work in 2016.

The Update observed, among others, there was a consistent trend whereby the majority of IFIs' financial statements (58 out of 119) asserted compliance with IFRS Accounting Standards. A few IFIs in Turkey produced two sets of audited financial statements based on IFRS Accounting Standards and Turkish Accounting Standards (known as TASs and TFRSs[1]) although the latter are fully compliant with IFRS Accounting Standards issued by the IASB. On the classification of customers' investment accounts, some IFIs that comply with AAOIFI FAS and local GAAP continued to classify them as an intermediary element between liabilities and equity, as opposed to being classified as liabilities by those financial statements asserted compliance with IFRS Accounting Standards.

The Update concluded that the difference in views on the permissibility of Shariah contracts is one of the main reasons why the disparity in accounting for certain Islamic financial transactions continues. Therefore, understanding those differences would help users to better understand IFIs' financial statements because the same Shariah contract could be reported differently in different jurisdictions.

The draft report, as circulated, would be expected to be published as part of the AOSSG's publication in due course.

[1] Turkish Accounting Standards (TASs) and Turkish Financial Reporting Standards (TFRSs)

Special Session 2: ISSB Update and IFRS Foundation Adoption Guide

Mr. Hiroshi Komori & Mr. Samuel Prestidge from ISSB jointly presented on ISSB Update and IFRS Foundation Adoption Guide. Accordingly, they deliberated the following:

- ISSB milestones
- Investor materiality assessment now aligned between ISSB Standards and European standards (ESRS)
- High degree of climate-disclosure alignment between ISSB Standards and European standards (ESRS)
- Supporting implementation of IFRS S1 and IFRS S2
- Supporting implementation of IFRS S1 and IFRS S2 - project in the ISSB work plan
- Preliminary common themes on agenda consultation
- What will keep the ISSB busy in the next few months?
- Making ISSB Standards the global baseline
- Jurisdictional journey: adopting ISSB Standards
- Objectives of the Jurisdictional Adoption Guide
- The journey towards implementation of IFRS S1 and IFRS S2
- Four-pillar strategy to support adoption
- IFRS S1 and IFRS S2 transition reliefs
- IFRS S2 needs to be applied with IFRS S1
- Companies providing climate disclosures still need IFRS S1
- Scalability and jurisdictional phasing-in: focus on PAEs
- Phase-in of Application to PAE
- Illustration of possible components of a jurisdictional roadmap – Scope of reporting requirements
- Illustration of possible components of a jurisdictional roadmap – Scope of entities
- Other key components of jurisdictional roadmaps

Technical Session 6: Uncertainties in Financial Statements

Dr Keith Kendall (AASB Chair) and Dr Ao Li (AASB Assistant Senior Manager) presented research findings from an AASB research project *Uncertainty in Financial Statements*. This research is a continuation of the AASB staff's earlier work on *Climate-related risks disclosures in the notes to financial statements: Descriptive Evidence from Australia*.[2]

The IASB's Climate-related and Other Uncertainties in the Financial Statements project aims to explore targeted actions to improve the application of the requirements in IFRS Accounting Standards related to reporting on the effects of climate-related and other uncertainties in the financial statements. In responding to the IASB's project, the AASB conducted research to:

(a) explore the current disclosure practice of climate-related and other uncertainties within the notes to financial statements; and
(b) understand why such information is disclosed (or not disclosed) in their financial statements.

To do so, the research involved a two-stage process:

(a) Stage 1: reviewing a sample of the top 75 ASX-listed entities in 2022.
(b) Stage 2: gathering feedback from Australian stakeholders.

The research found that 31 out of the 75 entities in their 2022 financial reports disclosed climate-related risk information in the notes of financial statements. In comparison to previous years, there has been a growing trend among entities to provide such disclosures in the notes to the financial statements. However, the disclosures remain generic and high-level in nature.

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[2] Li, A., & Lee, E. C. (2023). Commentary: Climate-Related Risks Disclosures in the Notes to Financial Statements: Descriptive Evidence from Australia. *Australian Accounting Review*, *33*(3), 230-236.

The research also investigated whether entities disclosed other types of risks, other than climate-related risks. Overall, the research finds that conventional financial risks (e.g., liquidity, market and credit risks, and impairment of non-current assets) are commonly disclosed in the financial statements. However, other types of risks are commonly disclosed outside of the financial statements, such as in the Operating and Financial Reports[3] (or management commentary) and not in the financial statements. The lack of such disclosures in the notes to financial statements raises questions about whether entities consider these identified risks or uncertainties and their impacts on their financial position and performance.

In general, stakeholders acknowledged that adequate information about climate-related and other uncertainties should be disclosed and reflected in the financial statements to meet user needs. However, stakeholders raised the following challenges and concerns:

(a) **Information overload** – Stakeholders have expressed concerns that providing a detailed disclosure for each risk consideration, along with including the financial impact and related information in financial statements, might result in providing excessive information and, in turn potentially distract users from focusing on more significant matters (i.e. obscuring material information).

(b) **Applying qualitative materiality concept** - Stakeholders are unsure how to incorporate transactions, other events and conditions that are quantitively immaterial but may potentially considered to be qualitatively material in the financial statements. Stakeholders suggested that more guidance, in addition to IFRS Practice Statement 2, on how qualitative materiality judgement should be made would be helpful.

(c) **Concerns for litigation risks** – Stakeholders are often concerned about possible litigation risks associated with climate-related risks and other uncertainties disclosures in the financial statements, including the unintended consequences of failing to identify and disclose a risk that is considered to be qualitatively material by others but not the entity.

Based on the research findings, AASB staff suggest the IASB consider the following when developing examples:

(a) the considerations of different types of risks (e.g. short-, medium-, and long-term risks) and associated uncertainties on the financial items;

(b) the appropriate judgements, assumptions and estimations to determine the effects of such risks and uncertainties;

(c) the consideration and application of qualitative materiality concept when it is quantitatively immaterial; and

(d) the offsetting effects when risks and uncertainties are mitigated by other mechanisms, such as insurance cover.

Dr. Ao Li also acknowledged that although the examples in the IASB's Practice Statement 2 are helpful, the IASB should consider developing further examples that consider complex scenarios reflecting the application challenges entities currently experience (e.g., including cross-cutting areas and detailed step-by-step assessments).

Technical Session 7: Going Concern Disclosures: Learnings from requiring additional disclosures in New Zealand

Ms. Gali Slyuzberg from the New Zealand External Reporting Board (XRB) presented on learnings from introducing additional specific disclosures requirements on going concern in New Zealand.

[3] As required by the Corporations Act, listed entities in Australia need to prepare directors' reports that must contain information that shareholders would reasonably require to make an informed assessment of the entity's: (a) operations; (b) financial position; and (c) business strategies, and prospects for future financial years. The relevant information is included in the operating and financial review (OFR), a key part of annual reporting by listed entities. Information in OFR complements and supports the financial report. The guidance is set in the Australian Securities and Investments Commission's (ASIC) Regulatory Guide RG 247 Effective Disclosure in an operating and Financial Review (RG 247).

The New Zealand Accounting Standards Board of the XRB introduced these additional disclosure requirements in 2020 – to address concerns about the adequacy and consistency of going concern disclosures, as well as the disconnect between requirements in auditing standards and accounting standards regarding going concern disclosures in financial statements.

The additional disclosures are required in situations where the entity is a going concern, but where that assessment involved the application of significant judgement, or the consideration of material uncertainty. The disclosures are aligned with current requirements in auditing standards.

In terms of the learnings so far: XRB staff have heard feedback that the additional disclosure requirements are encouraging management to give more consideration to appropriate going concern disclosures in financial statements. Staff also observed anecdotally some improvements in going concern disclosures (e.g. more detail on material uncertainty, judgements, mitigation plans, etc.). Also, recent academic research suggests that the alignment of accounting and auditing standards with respect to going concern disclosure requirements alleviates auditor–client tension for affected companies, subsequently leading to relatively lower audit fees and shorter audit lags.

Based on these learnings, XRB staff recommended adding a project on going concern disclosures to the IASB's work plan – as more specific disclosure requirements in IAS 1 could improve the provision of relevant and transparent information to users on going concern, and would also benefit preparers and auditors. A good opportunity to consider such a project could be once the IAASB finalises its current project on going concern requirements in auditing standards.

The Chair of the IASB noted that currently, the IASB does not plan to add a project on going concern disclosures to its work plan – and that national standard setters may be better placed to undertake such projects in their jurisdictions, due to their knowledge of local laws and regulations. The IASB is aware of the IAASB's project on going concern and the two Boards maintain close contact.

A question was asked as to whether the additional New Zealand disclosures would only be required during COVID-19 and its effects. This is not the case, as there are other events that can lead to significant doubt or material uncertainties regarding an entity's ability to continue as a going concern. While COVID-19 was the impetus for introducing the additional disclosure requirements, the benefits of these requirements are expected to endure in the long term.

Technical Session 8: Implementation of IFRS17

Mr. Jay Jeong-Hyeok Park from the Korean Accounting Standards Board, presented to AOSSG members the challenges faced by Korean supervisors, auditors, and insurance companies during the implementation of IFRS 17. The presentation highlighted the following key points:

1. **Relationship between GAAP and SAP** : IFRS 17, as the first globally harmonized GAAP accounting standard, posed challenges for countries accustomed to SAP accounting. Establishing the relationship between GAAP and SAP accounting required a transitional period.
2. **Integration of Actuarial and Accounting Systems:** Implementing IFRS 17 necessitated an organic link between actuarial and accounting systems. The complexity and cost associated with setting up sophisticated systems to handle large volumes of data were noted.
3. **CSM Impact on Financials:** The implementation of IFRS 17, particularly regarding the Contractual Service Margin (CSM), could lead to distorted profit and loss in the early years due to opportunistic behavior by management. However, over time, CSM has become an indicator of a company's value.
4. **Complexity of Insurance Financial Results**: The standard provides numerous options for insurance financial results, making it challenging for users to comprehend. The abundance of choices was discussed as a potential area for improvement.

In response to these issues, KASB made suggestions for the IASB's future focus during the Post-Implementation Review (PIR) process. The IASB, through various avenues, acknowledged the initial confusion around insurance financial results.

Additionally, AOSSG members from countries yet to adopt IFRS 17 expressed interest in post-IFRS 17 corporate tax issues and the scope of applicable entities. Discussions centered around the possibility of engaging in various activities to enhance the AOSSG's capacity in dealing with these matters.

Technical Session 9: Crypto assets

Dr Keith Kendall (AASB Chair) and Dr Eric Lee (AASB Research Director) presented research findings from the AASB Crypto Assets research report that was published in September 2023.

The research sought feedback from Australian stakeholders on the following 3 questions:

(a) Whether crypto assets are widespread in Australia (i.e. prevalence), and if so, which types of crypto assets are commonly utilised by entities;

(b) What are the accounting and reporting challenges associated with transactions involving crypto assets; and

(c) How should standard-setters address the accounting and reporting of crypto assets?

The presenters provided an update on the overall crypto assets legal environment in Australia, including the recently released Australian Government's proposal paper which suggests using the Australian Financial Services License (AFSL) framework to regulate some digital asset services providers which may require these entities to prepare general purpose financial statements that comply with the accounting standards.

In general, the findings show that:

(a) Few listed entities hold crypto assets. Most crypto assets transactions occur in privately held entities.

(b) There are 11 accounting and reporting challenges related to crypto assets were identified, including the complexity of crypto assets arrangements and the accounting of the transaction fees.

(c) In general, stakeholders consider the crypto assets ecosystem is complex and is evolving. Stakeholders suggest it is premature to set accounting standards for crypto assets at this stage; however, standard-setters should monitor the development closely so that standard-setters can address any concerns on a timely basis if necessary.

During the discussion, AOSSG members commented:

(a) whether the AASB considers developing work related to crypto assets from the holder's perspective; and

(b) whether any concerns were raised from stakeholders regarding the inability to recognise crypto assets as cash and cash equivalents.

Technical Session 10: Sustainability Reporting in Pakistan – Current Status, Challenges and Way Forward

Mr. Rana Usman Khan – Chair of AOSSG presented on Sustainability Reporting in Pakistan which covered (a) an overview of Sustainability Standards Setting in Pakistan (b) Sustainability Reporting Experiences of Enterprises in Pakistan, and (c) stakeholders consultation being carried out by Institute of Chartered Accountants of Pakistan on adoption / implementation of IFRS Sustainability Disclosure Standards (IFRS SDS) in Pakistan. His presentation covered highlights of current status of Sustainability Standards Setting in Pakistan and new developments taking place in the area of sustainability reporting in the context of Pakistan. He elaborated on the key challenges faced by companies in area of sustainability reporting and Strategy to overcome those challenges in the way of adoption / implementation of IFRS SDS in Pakistan.

IFRS Implementation Update 1: Update on Standards Development and Implementation in Nepal

Mr. Prakash Jung Thapa, Chairman of the Accounting Standards Board (ASB), Nepal, presented an update on standards development and implementation in Nepal. He emphasized alignment of IFRS and enforcement through legislation in Nepal and shared the active development of NAS, NFRS, and NPSAS since 2007. Notably, NFRS for SMEs and tailored NAS for Micro Entities and NPOs become mandatory in the current fiscal year. Nepal's unique business landscape, with 98% of businesses categorized as Micro Entities and 80% individually owned, is addressed by flexible NAS for MEs. Mr. Thapa also highlighted the growing global focus on sustainability reporting, outlining ASB Nepal's efforts to develop standards by forming high level committee, as well as the insights gained from stakeholder outreach programs conducted across four provinces in Nepal. The presentation concluded with a comprehensive overview of ASB’s initiative and future directions for accounting standards in Nepal.

Announcement of the Next Annual AOSSG Meeting

Mr. Rana Usman Khan – Chair of AOSSG announced that 16th AOSSG Annual Meeting will be held in Pakistan.

Closing remarks

Dr. Andreas Barckow, Ms. Rika Suzuki & Mr. Hiroshi Komori from IFRS Foundation noted how useful the meeting discussions had been to IASB members and ISSB members, which they said was a product of the constructive environment that AOSSG members created for the discussion of issues.

Mr. Rana Usman Khan thanked the IFRS Foundation members and staffs for making themselves available for open and constructive discussions on current issues and he thanked AOSSG members for their work in preparing for the meeting and their attendance. Further he also thanked AASB and its staff for hosting the meeting.