

First Asian-Oceanian Standard-Setters Group Meeting

Communiqué

Kuala Lumpur, Malaysia · November 4 & 5, 2009

On 4 & 5 November 2009, the First Meeting of the Asian-Oceanian Standard-Setters Group (AOSSG) was held in Kuala Lumpur, Malaysia. The meeting was hosted by the Malaysian Accounting Standards Board (MASB) with a total of 100 participants from 21 standard setting bodies of the Asia and Oceania regions. Also, Sir David Tweedie, the International Accounting Standards Board (IASB) chairman, four other IASB board members, the IASB Director of International Activities and a trustee of the IASCF were present. The 21 participating standard setting bodies are from Australia, Brunei, Cambodia, China, Hong Kong, Indonesia, India, Japan, Kazakhstan, Korea, Macao, Malaysia, Nepal, New Zealand, Oman, Thailand, Saudi Arabia, Singapore, Sri Lanka, Turkey and Uzbekistan.

The AOSSG members agreed that Malaysia be appointed as the 1st Chairman of AOSSG and Japan be appointed as the Vice Chairman. It is intended that the Chairmanship and Vice Chairmanship of AOSSG will be rotated among the AOSSG members at each annual meeting.

The AOSSG members also adopted a Memorandum of Understanding (MOU) which sets out the four objectives of the AOSSG, being:

- (a) Promoting the adoption of, and convergence with, International Financial Reporting Standards (IFRSs) by jurisdictions in the region
- (b) Promoting consistent application of IFRSs by jurisdictions in the region
- (c) Coordinating input from the region to the technical activities of the International Accounting Standards Board (IASB) and

- (d) Cooperating with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.

The adoption of the MOU formalised the establishment of AOSSG.

The AOSSG members also adopted the Modus Operandi of the Working Groups (WGs) as a mechanism of how the AOSSG members will participate in and respond to IASB's proposed new standards or amendments to existing standards or any related issues.

The standard setters of Asia-Oceania recognise the need to play a more active role in the technical activities and other related matters of the IASB given the fact that many of them have adopted IFRSs or have declared or intend to declare convergence with or adoption of the IFRSs in the future.

The idea of forming the Asian-Oceanian Standard-Setters Group was discussed in Beijing in April 2009 where twelve standard setters in the regions met in a Preparatory Meeting and agreed to promote the Group by the participation of all countries or jurisdictions in the Asian-Oceanian regions as listed by United Nations.

Discussion on Technical Issues

Four Technical Issues prepared by the Working Groups were discussed by participants. Various views of the members will be included in information provided to the IASB. The four Technical Issues discussed were (1) IAS 39 Financial Instruments: Recognition and Measurement and Impairment, (2) Revenue Recognition, (3) Fair Value Measurement and (4) Financial Statement Presentation.

On the first Technical Issue presented on IAS 39, the Group expressed support for the outcome of the classification and measurement part of the financial instruments project. Members also expressed their appreciation of the IASB's responsiveness to comments

submitted. The Group urged the IASB to work actively with the Financial Accounting Standards Board (FASB) to achieve a converged global standard.

The Group will be actively considering the forthcoming exposure draft on impairment of financial assets. The Group will be examining the conceptual basis for the expected loss model and its practical implications both for financial institutions and for other entities with trade receivables. The Group also asked the IASB to consider consistency between the impairment model in IAS 36 and the proposed model for IAS 39.

With regard to the second Technical Issue on Revenue Recognition, the AOSSG members expressed great interest on the study on revenue recognition currently undertaken by the IASB. Members acknowledged the need to further clarify some areas of interpretation and implementation issues relating to the determination and allocation of transaction prices and control, particularly the notion of control as used in the Revenue Recognition Standard and other IFRSs.

The Group also actively discussed the proposed revenue recognition framework for “multi-buyer” construction contracts and other long term contracts. In addition, the Group suggested the IASB’s Revenue Recognition Project Team communicates with its project leaders so that specific issues within this region could be further articulated and covered within a common set of accounting guiding principles.

On Fair Value Measurement, the Group expressed support for the IASB issuing a Standard on Fair Value Measurement. Members encouraged the IASB to further deliberate on pricing mechanisms in order to resolve the relevant issues on fair value measurement arising from the current international financial crisis. Members also expressed their various concerns on specific issues such as assumptions of market participants, highest and best use, and additional guidance for emerging market economies. The Group will actively make further efforts to contribute to the development of the forthcoming IFRS on Fair Value Measurement and improve the adoption of or convergence with the IFRS in the region.

On the last Technical Issue on Financial Statement Presentation, the Group acknowledged the effort by the IASB and the FASB in arriving at their proposals. However, the Group was concerned with the level of disaggregation and the concept of cohesiveness objective as articulated in the IASB Discussion Paper as well as the structural changes to financial statements as proposed. The working group will further deliberate the issues related to financial statement presentation and comment on the forthcoming exposure draft on financial statement presentation.

In conclusion, members of the AOSSG acknowledged that they had a successful first meeting in Kuala Lumpur and congratulated the MASB on successfully hosting this historic event. Members of the AOSSG will continue their active participation on the above four technical projects whilst also tentatively agreeing to include the following additional projects into the work programs, namely Consolidation, Leases, Insurance Contracts, Emission Trading Schemes and Financial Reporting relating to Islamic Finance. The AOSSG will also be looking into establishing an AOSSG website, when the conditions are appropriate, and related Working Group to disseminate information about its technical activities and related matters to the region and the world.

The Second Meeting of the AOSSG will be held in Tokyo next year, hosted by the Accounting Standards Board of Japan (ASBJ).

The AOSSG welcomes other standard setters in the Asian-Oceanian regions to become members of the AOSSG in order that mutual benefits accrue both to the members and to the AOSSG.