



# Monthly International News

---

Issue 5 / 2010

May 2010

---

## In This Issue

- **IFAC to Work with Prince's Project**
- **IPSASB Publishes 2010 Handbook of Pronouncements**
- **Global Recovery "Better Than Expected", Say Central Bankers**
- **IASB Revises Fair Value of Financial Liabilities**
- **PCAOB Blocked from Foreign Inspections**
- **Audit Regulation Should be Global: IOSCO**

### **IFAC to Work with Prince's Project**

The International Federation of Accountants (IFAC) and The Prince's Accounting for Sustainability (A4S) Project are collaborating in a drive to promote sustainable organisations.

The move is designed to encourage accountants to challenge traditional ways of thinking about performance and to embed sustainability into strategy, governance, performance management, and reporting processes.

Key priorities for the initiative include setting up an international integrated reporting committee to develop a new reporting model that will better reflect the interconnected impact of financial, environmental, social, and governance factors on the long-term performance and condition of an organisation.

The two bodies will also be working to incorporate accounting for sustainability within professional training and education, and will be raising awareness and facilitating collaboration within the global accountancy community by, for example, developing a community website for professional accountancy organisations, business leaders, academics, and other experts to exchange ideas and share good sustainability practice.

Paul Druckman, chairman of the A4S executive board, said, 'We will only be able to achieve a sustainable future if all organisations, and all individuals within those organisations, recognize the

role that they can and need to play. Effective action by the accounting and finance community to better account for sustainability is an essential part of the response.'

[http://www.accountancymagazine.com/croner/jsp/Editorial.do?channelId=-305535&contentId=1550762&Failed\\_Reason=Invalid+timestamp,+engine+has+been+restarted&Failed\\_Page=%2fjsp%2fEditorial.do&BV\\_UseBVCookie=No](http://www.accountancymagazine.com/croner/jsp/Editorial.do?channelId=-305535&contentId=1550762&Failed_Reason=Invalid+timestamp,+engine+has+been+restarted&Failed_Page=%2fjsp%2fEditorial.do&BV_UseBVCookie=No)

---

### **IPSASB Publishes 2010 Handbook of Pronouncements**

The International Public Sector Accounting Standards Board (IPSASB) published today its 2010 *Handbook of International Public Sector Accounting Pronouncements*. In two volumes, the handbook contains all current IPSASB pronouncements, including 31 accrual-based standards and the IPSASB's cash basis standard. Five of these standards were approved by the IPSASB in 2009, including requirements and guidance for all aspects of accounting for financial instruments, as well as intangible assets and agriculture.

"The handbook represents the substantial completion of the IPSASB's convergence program and over a decade of work," said IPSASB Chair Andreas Bergmann. "It provides the only global and comprehensive set of accounting requirements and guidance developed specifically for preparers of public sector financial statements. It is also a strong foundation for the next phase of the IPSASB's work, including developing the IPSASB's Conceptual Framework- a set of principles that, following completion, will underpin the IPSASB's standard-setting activities for the long-term- and maintaining alignment with the International Accounting Standards Board's International Financial Reporting Standards (IFRSs)."

Under the convergence program, the IPSASB achieved substantial convergence with the IFRS requirements as of December 31, 2008, that are relevant for the public sector.

#### **How to Order**

The handbook can be downloaded free of charge in PDF format or ordered in print from IFAC's Publications and Resources site: [web.ifac.org/publications](http://web.ifac.org/publications). Print copies of parts I and II of the handbook are available as a three-piece boxed set with the *Handbook of the Code of Ethics for Professional Accountants*. The boxed set is being offered free of charge, however shipping and handling charges apply. Orders can also be placed by calling IFAC at +1 (212) 471-8722.

The IPSASB encourages IFAC members, associates, regional accountancy bodies, and firms to use these materials and to promote their availability to members and employees.

<http://www.ifac.org/MediaCenter/?q=node/view/713>

---

### **Global Recovery "Better Than Expected", Say Central Bankers**

Leading central bankers said on Monday that a global recovery was not only "better than expected", but was also accelerating.

"We have the feeling that the global recovery is not only confirmed but has some elements, at a global level, of acceleration," said Jean-Claude Trichet, the head of the European Central Bank, speaking for central bankers meeting at the Bank for International Settlements following their meeting.

"A number of observations, particularly in the emerging world, show that the present data are better than expected. The sentiment is that (there is) some acceleration of the growth in a large number of countries," he added.

Trichet said the "global recovery" had features "which... qualify as sustained."

Despite the Greek debt crisis, which hammered stock markets and the European single currency before a massive aid package was unveiled, Trichet said the signs of recovery were also evident in eurozone economies.

"We considered that at the global level we have the positive signal. This positive signal, we also have (it) at the EU level," he said.

"I was mentioning that a number of data... were better than expected at the global level. I have to say it is also the case at the euro area," he added.

Trichet nonetheless pointed out that, at a global level, growth was more rapid among emerging economies than industrialised ones.

He also reiterated a warning against complacency. "Let's remain cautious and prudent. I would say that I remain on the line that we have growth as an average this year which remains modest," he said.

[http://www.channelnewsasia.com/stories/afp\\_world\\_business/view/1055663/1/.html](http://www.channelnewsasia.com/stories/afp_world_business/view/1055663/1/.html)

---

## **IASB Revises Fair Value of Financial Liabilities**

The International Accounting Standards Board has published a proposed set of changes in the accounting standards for financial liabilities to address what it calls the "counter-intuitive" effects of fair value measurement.

The proposal follows work that has already been completed on the classification and measurement of financial assets in the IFRS 9 standards for financial instruments. The IASB is proposing limited changes to the accounting for liabilities, with the changes mostly confined to the fair value option.

The proposals respond to a viewpoint expressed by many investors and others in extensive consultations that the IASB has undertaken. They have told the IASB that volatility in profit or loss resulting from changes in the credit risk of liabilities that an entity chooses to measure at fair value is counter-intuitive and does not provide useful information to investors.

When the IASB introduced IFRS 9, many stakeholders around the world advised the IASB that the existing requirements for financial liabilities work well, except for the effects of changes in the credit risk of a financial liability ("own credit") that an entity chooses to measure at fair value.

Building on that global consultation on IFRS 9, the IASB sought the views of investors, preparers, audit firms, regulators and others on the "own credit" issue. The views received were consistent with the earlier consultations: that volatility in profit or loss resulting from changes in "own credit" does not provide useful information except for derivatives and liabilities that are held for trading.

"Whilst there are theoretical arguments for treating financial assets and liabilities in the same way, it is hard to defend the accounting as providing useful information when a company suffering deterioration in credit quality is able to book a corresponding large profit, especially when investors tell us that such information is often excluded from their financial models," said IASB chairman Sir David Tweedie in a statement.

The IASB is therefore proposing that all gains and losses resulting from changes in “own credit” for financial liabilities that an entity chooses to measure at fair value should be transferred to “other comprehensive income.” Changes in “own credit” will therefore not affect reported profit or loss.

No other changes have been proposed for financial liabilities. Therefore, the proposals will affect only those entities that choose to apply the fair value option to their financial liabilities. Those entities that prefer to bifurcate financial liabilities when relevant may continue to do so, which is consistent with the widespread view that the existing requirements for financial liabilities work well, other than the “own credit” issue that the new proposals cover.

A summary of the proposals is available at <http://go.iasb.org/financial+liabilities>.

The exposure draft Fair Value Option for Financial Liabilities is open for comment until July 16, and can be accessed via the “Comment on a proposal” section of [www.iasb.org](http://www.iasb.org).

<http://www.webcpa.com/news/IASB-Revises-Fair-Value-Financial-Liabilities-54164-1.html>

---

### **Public Sector Standards Board Publishes Handbook**

The International Public Sector Accounting Standards Board has published its 2010 Handbook of International Public Sector Accounting Pronouncements.

In two volumes, the handbook contains all current IPSASB pronouncements, including 31 accrual-based standards and the IPSASB’s cash basis standard. Five of these standards were approved by the IPSASB in 2009, including requirements and guidance for all aspects of accounting for financial instruments, as well as intangible assets and agriculture.

“The handbook represents the substantial completion of the IPSASB’s convergence program and over a decade of work,” said IPSASB Chair Andreas Bergmann in a statement. “It provides the only global and comprehensive set of accounting requirements and guidance developed specifically for preparers of public sector financial statements.”

The IPSASB, which operates under the auspices of the International Federation of Accountants, is planning to develop a Conceptual Framework — a set of principles that, following completion, will underpin the IPSASB’s standard-setting activities for the long-term — while maintaining alignment with International Financial Reporting Standards. Under its convergence program, the IPSASB has achieved substantial convergence with IFRS requirements as of Dec. 31, 2008, relevant to the public sector.

The handbook can be downloaded free of charge in PDF format or ordered in print from IFAC’s Publications and Resources site at [web.ifac.org/publications](http://web.ifac.org/publications). Print copies of parts I and II of the handbook are available as a three-piece boxed set with the Handbook of the Code of Ethics for Professional Accountants. The boxed set is being offered free of charge, but shipping and handling charges apply. Orders can be placed by calling IFAC at (212) 471-8722.

<http://www.webcpa.com/news/Public-Sector-Standards-Board-Publishes-Handbook-54191-1.html>

---

### **PCAOB Blocked from Foreign Inspections**

The Public Company Accounting Oversight Board continues to encounter resistance in inspecting foreign accounting firms that audit the books of non-U.S. companies whose stock trades on U.S. exchanges.

The PCAOB has published a [list](#) of over 400 non-U.S. companies whose securities trade in U.S. markets, but whose PCAOB-registered auditors the board currently cannot inspect because of asserted non-U.S. legal obstacles. The auditors of the companies on the list are located in China, Hong Kong, Switzerland and 18 European Union countries.

The companies include telecom giant Alcatel Lucent which is audited by both Deloitte and Ernst & Young in France, and British Sky Broadcasting, which is audited by Deloitte in the U.K.

The Sarbanes-Oxley Act of 2002 requires auditors to be registered with, and regularly inspected by, the PCAOB if they audit the financial statements that issuers file with the Securities and Exchange Commission. To date, the PCAOB has conducted more than 1,300 inspections of registered firms in the United States and 33 non-U.S. jurisdictions.

The PCAOB said it continues to work to eliminate obstacles to inspections in these jurisdictions.

<http://www.webcpa.com/news/PCAOB-Blocked-from-Foreign-Inspections-54287-1.html>

---

### **Audit Regulation Should be Global: IOSCO**

Nations should work together to better oversee auditors, an international group of regulators has said.

The International Organization of Securities Commissions (IOSCO) has called for its members, comprising some of the world's leading regulators, to provide "the fullest assistance permissible in efforts to examine or investigate matters in which improper auditing may have occurred and on any other matters relating to auditor oversight".

The comment was made in the body's Principles on Cross Border Supervisory Cooperation, released today.

In the document the body also raised concerns about foreign-based subsidiaries warning that "the auditor for the overall organisation must review and opine on the accuracy of the organisation's consolidated financial statements when it itself did not conduct an audit of all of the organization's components."

"Under such a situation, problems can arise if an audit failure occurs at the local level and the parent auditor is unaware of the failure," the report stated.

<http://www.accountancyage.com/accountancyage/news/2263657/audit-regulation-should-global>

**DISCLAIMER: All compiled news items are correct at the time of release. This document is for information only. AFA does not take any responsibility arising from the use of information contained in this document.**