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IFAC Publishes Award-winning Articles for PAIBs; Governance, Risk, and Leadership Issues Covered

Financial leadership, measuring board performance, and managing strategic risk are among the topics covered in a new publication, *Articles of Merit*, released by the International Federation of Accountants (IFAC). This publication includes 11 previously published articles that were selected by IFAC's Professional Accountants in Business (PAIB) Committee as part of its annual *Articles*

of Merit Award Program for Distinguished Contribution to the Roles and Domain of Professional Accountants in Business.

The winning article for 2008 is "Black Holes in Accounting" by Ron Lutka. First published in CMA Canada's monthly members' magazine, *CMA Management*, the article focuses on how professional accountants may better identify and address areas within their organizations that may be negatively impacting performance. It also aims to assist professional accountants in recognizing and preventing the causes of the problems within these areas.

For the first time in the history of the award program, professional accountants were invited to participate in the selection process. The PAIB Committee took into account these views when selecting the winning articles. Votes were collected through an online public voting process.

Although the articles were originally published before the extent of the financial crisis was fully known, many of the articles promote financial leadership and better practices for professional accountants in business, which are relevant in today's financial and economic climate. Other articles of merit cover topics and issues that have been highlighted as challenges for improving organizational performance and achieving sustainable growth.

The 2008 *Articles of Merit*, together with past issues, can be downloaded free-of-charge from the IFAC online bookstore (www.ifac.org/store). The 11 articles in the 2008 publication may also be individually downloaded from the IFAC bookstore.

<http://www.ifac.org/MediaCenter/?q=node/view/620>

IAASB Completes Clarity Project; New Web Page Features Full Suite of Standards and Resources

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), has completed its Clarity Project* with the release of the final seven clarified International Standards on Auditing (ISAs), following the consideration and approval by the Public Interest Oversight Board (PIOB) of due process. As a result of this landmark achievement, auditors worldwide will have access to 36 newly updated and clarified ISAs and a clarified International Standard on Quality Control. The standards are all featured in a new Clarity Center on the IAASB website (www.ifac.org/IAASB).

With the completion of the Clarity Project, the IAASB has issued all its auditing standards in a form designed to enhance the understanding and implementation of them, as well as to facilitate translation. The clarified standards are effective for audits of financial statements for periods beginning on or after December 15, 2009.

IAASB Chair Arnold Schilder remarked, "The significant accomplishment of bringing the Clarity Project to a close-on schedule-would not have been possible without the dedicated leadership of my predecessor, John Kellas, and the tireless efforts of the IAASB members and technical advisors. We are pleased to now make the full suite of standards available so that our stakeholders can take the necessary steps to ensure these standards are properly implemented in advance of their effective date."

Titles of the seven final clarified ISAs are as follows:

- ISA 210 (Redrafted), *Agreeing the Terms of Audit Engagements*;
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*;

- ISA 402 (Revised and Redrafted), *Audit Considerations Relating to an Entity Using a Service Organization*;
- ISA 700 (Redrafted), *Forming an Opinion and Reporting on Financial Statements*;
- ISA 800 (Revised and Redrafted), *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*;
- ISA 805 (Revised and Redrafted), *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and
- ISA 810 (Revised and Redrafted), *Engagements to Report on Summary Financial Statements*.

The Clarity Center of the IAASB website features updated versions of each of the standards, which can be used as the basis for translations. These versions incorporate conforming amendments to the standards, as well as changes in the approved clarified ISAs as a result of a review for consistency and other matters of clarity agreed upon by the IAASB at its December 2008 meeting. The IAASB also plans to publish the set of clarified ISAs in a handbook, expected to be released in April 2009.

"We anticipate that the completion of the Clarity Project will bring further momentum to the convergence process," commented Jim Sylph, IFAC Executive Director, Professional Standards, emphasizing, "Implementation is the next priority and firms and others should take action at the earliest opportunity to deal with all the necessary aspects of implementation." National standard setters, IFAC member bodies, regulators and oversight bodies, and other stakeholders are encouraged to visit the Clarity Center at www.web.ifac.org/clarity-center/index for further information, including frequently asked questions (FAQs) and upcoming video modules.

<http://www.ifac.org/MediaCenter/?q=node/view/621>

IASB Enhances Financial Instruments Disclosures

The International Accounting Standards Board (IASB) today issued amendments that improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments.

The amendments form part of the IASB's focused response to the financial crisis and addresses the G20 conclusions aimed at improved transparency and enhanced accounting guidance. The improvements also reflect discussions by the IASB's Expert Advisory Panel on measuring and disclosing fair values of financial instruments when markets are no longer active.

Responding to the calls of policymakers, many investor groups and other interested parties, the IASB is bringing the disclosure requirements of International Financial Reporting Standards (IFRSs) more closely into line with US standards. The amendments to IFRS 7 Financial Instruments: Disclosures introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements.

In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. This is aimed at ensuring that the information disclosed enables users of an entity's financial statements to evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity manages that risk.

The amendments to IFRS 7 apply for annual periods beginning on or after 1 January 2009. However, an entity will not be required to provide comparative disclosures in the first year of application.

Introducing the amendments, Sir David Tweedie, Chairman of the IASB, said:

The financial crisis has shown that a clear understanding of how entities determine the fair value of financial instruments, particularly when only limited information is available, is crucial to maintaining confidence in the financial markets. The additional disclosure requirements and the three-level hierarchy will help to increase the clarity of the information. The amendments will also enhance the disclosures about the liquidity risks associated with financial instruments. The proposals build on the advice we have received from the IASB's Expert Advisory Panel.

For more information about measures undertaken by the IASB in response to the financial crisis, visit www.iasb.org.

<http://www.iasb.org/News/IASB+enhances+financial+instruments+disclosures.htm>

New IFAC Guidance Focuses on the Development and Training of Accounting Technicians

An important means to build capacity in the accountancy profession in developing countries is through the development of accounting technicians. As part of its strategy to develop the accountancy profession worldwide, the International Federation of Accountants' (IFAC) Developing Nations Committee has released a new good practice guide entitled, *The Education, Training and Development of Accounting Technicians*. The new guide is designed to raise awareness of the role and value of accounting technicians in both the public and private sectors.

The guide promotes the importance of having accounting technician-level programs in both developed and developing economies so that individuals have access to education and training. The guide also encourages professional accountancy organizations to support the development of accounting technicians by offering technician programs that lead to certification and membership in the organization.

"In developing and emerging economies, individuals often do not have the resources to qualify as professional accountants, but there is a strong demand by governments and organizations for skilled individuals to contribute to the financial reporting and decision-making process. The development of accounting technicians is important to fulfilling this gap and setting a pathway for qualified accounting technicians to develop further as professional accountants," states Ignatius Sehoole, chairman of the Developing Nations Committee.

The guide can be downloaded free-of-charge from the IFAC online bookstore (www.ifac.org/store). For more information on IFAC's work to support developing nations, visit www.ifac.org/developingnations.

<http://www.ifac.org/MediaCenter/?q=node/view/623>

IFAC Publishes Quality Control Implementation Guide for SMPs

To further help small and medium practices (SMPs) in the implementation of international standards, IFAC has published a *Guide to Quality Control for Use by Small- and Medium-sized Practices*. This non-authoritative implementation guide is intended to help SMPs understand and efficiently apply International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services*, as redrafted under the IAASB's Clarity Project* (<http://web.ifac.org/clarity-center/index>).

Developed by CGA-Canada for IFAC's Small and Medium Practices (SMP) Committee, the guide uses an integrated case study to illustrate how to implement the requirements of ISQC 1, and

includes two sample firm policy manuals and key checklists and forms. It can be downloaded free-of-charge from IFAC's online bookstore at www.ifac.org/Store/. A Microsoft Word version is available to allow for translation and adaptation by institutes and small firms.

Sylvie Voghel, SMP Committee Chair, remarked, "the guide will help SMPs provide high-quality services to their clients and contribute to improving audit quality."

In December 2007, the committee published IFAC's first implementation guide, the *Guide to International Standards on Auditing for Use in the Audits of Small- and Medium-sized Entities* (ISA Guide). Last year, this was IFAC's second most popular publication and has been translated into over 10 languages. An updated version, to support the redrafted ISAs and accommodate feedback from users of the current edition, is scheduled for release in December 2009.

These guides form part of the SMP Committee's strategy to provide comprehensive practical support for SMPs, in the form of implementation materials and web-based resources. For more information, visit the International Center for SMPs at www.ifac.org/SMP/, read the committee's [strategy](#), and keep updated by signing up for the free quarterly [SMP eNews](#).

<http://www.ifac.org/MediaCenter/?q=node/view/624>

IASB Clarifies the Accounting Treatment for Embedded Derivatives When Reclassifying Financial Instruments

The International Accounting Standards Board (IASB) today clarified the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment issued by the IASB in October 2008.

The reclassification amendment allows entities to reclassify particular financial instruments out of the 'at fair value through profit or loss' category in specific circumstances. The amendments to IFRIC 9 and IAS 39 issued today clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

The amendments form part of the IASB's response to views received in the round-table discussions organised jointly with the US Financial Accounting Standards Board in November and December 2008. Participants asked the IASB to clarify the accounting treatment of embedded derivatives in the reclassification amendments in order to avoid divergence in practice.

The amendments set out in Embedded Derivatives apply retrospectively and are required to be applied for annual periods ending on or after **30 June 2009**.

<http://www.iasb.org/News/Press+Releases/IASB+clarifies+the+accounting+treatment+for+embedded+derivatives+when+reclassifying+financial+instru.htm>

IASB Seeks Input on Proposed FASB Guidance Regarding Fair Value Measurement and Impairments of Financial Instruments

The International Accounting Standards Board (IASB) today announced its intention to seek views from interested parties on proposals from the US Financial Accounting Standards Board (US FASB) that deal with guidance on fair value measurement and impairments of financial instruments.

The proposed guidance on fair value measurement will also be referred to an Expert Advisory Panel established by the IASB in 2008 to consider fair value measurement in inactive markets. Educational guidance resulting from panel meetings was previously issued by the IASB in October 2008.

Feedback from interested parties and the panel will be considered by the IASB before deciding whether to publish formal proposals for public comment. A request for views will be published on the IASB website later this week.

Both of FASB's proposals are in the form of draft Staff Positions (FSPs) and are intended to provide additional application guidance. The FASB has set a 15-day comment period, which will end on 1 April 2009. Further details are available on the FASB website at www.fasb.org.

In October 2008 the two boards committed themselves to a joint approach in dealing with reporting issues arising from the global financial crisis. The need for consistency between International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles was emphasised by those attending the IASB/FASB round-table discussions on the financial crisis held in the fourth quarter of 2008 and was also the subject of requests by the leaders of the G20 group of nations when they met in Washington, DC, in November 2008. The IASB is also conscious of the need to account for views internationally through appropriate due process – another clear message arising at the round table discussions, expressed by national accounting standard setters, and other stakeholders internationally.

Commenting on the announcement Sir David Tweedie, Chairman of the IASB said:

Whilst these are US proposals specifically targeted at US capital markets we have been asked by the G20 and others to deal with financial reporting issues on a globally consistent basis. For this reason we are seeking views about the FASB proposals from our Fair Value Measurement Expert Advisory Panel as well as other interested parties.

Any proposed changes in IFRSs will be subject to due process.

A summary of the IASB's response to the financial crisis is available on the IASB website on the Financial Crisis web page.

<http://www.iasb.org/News/Press+Releases/IASB+seeks+input+on+proposed+FASB+guidance+regarding+fair+value+measurement+and+impairments+of+finan.htm>

ASEAN-India FTA in Deep Freeze

India and Association of South-East Asian Nations (Asean) will have to reschedule the June 1 deadline for eliminating duties on more than 4,000 products traded between the two sides, a government official said.

India is not ready to sign the deal as per the proposed free trade agreement (FTA) in April due to the upcoming Union elections, the official, who didn't wish to be named, said.

The implementation of tariff cuts will now be postponed by more than a month depending on when the new government decides to sign the agreement, he said.

The FTA provides elimination of tariffs on 80% (about 4,000 items) of traded products, both agricultural and industrial, like consumer electronics, a range of farm products, metals and chemicals, in a phased manner by 2015. For about 10% (500 items) of additional products that have been placed on the sensitive track, the tariffs will not be eliminated but brought down to 5%. India has 489 items, mostly farm products, on the negative list which will not be subject to tariff cuts.

“Since the new government will be in place in June, it will not be ready to take a call on such agreements before July as it will need at least one month to settle down. Although the India-Asean FTA has more or less been finalised and just needs to be signed by the two sides, it will not be possible to stick to the June 1 schedule for implementing tariff cuts,” the official said.

The FTA, which was to be signed late last year, could not be ratified because of political problems in Thailand, one of the 10 members of the Asean group. The other Asean countries are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, and Vietnam.

It was then decided that the agreement would be signed at the Asean summit in the last week of February 2009. However, as the meet was not at the Prime Ministerial level, the government deferred the signing to April when the India-Asean summit is scheduled. Since the elections are due in May, it was finally decided by the UPA that the agreement should not be signed so close to the elections. The fate of the pact will, therefore, be sealed after the elections.

http://www.bilaterals.org/article.php3?id_article=14710

IAESB Releases 2009 Handbook of International Education Pronouncements

The International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC) has released the 2009 edition of its *Handbook of International Education Pronouncements*. The handbook can be downloaded free of charge in PDF format from the IFAC online bookstore (www.ifac.org/store), and print copies can be ordered now for shipment in early April.

Education Handbook

The 2009 Education Handbook contains the IAESB's suite of eight International Education Standards (IESs), including the *IAESB Framework for International Education Pronouncements* and *Introduction to International Education Standards*, as well as three International Education Practice Statements. The handbook reflects the changes in the IAESB's terms of reference and due process approved in 2006, an update of the glossary for key definitions introduced since its original publication, and minor editorial corrections. No changes of substance have been made in the framework, introduction, or the IESs.

Print copies of the handbook can be ordered for US\$50.00 plus shipping. Discounts are available for students, academics, and individuals living in developing countries, as well as for orders of 10 or more copies.

How to Order

The 2009 *Handbook of International Education Pronouncements* can be downloaded or ordered from the IFAC online bookstore at www.ifac.org/store. Orders can also be placed by calling IFAC at +1 (212) 471-8722.

<http://www.ifac.org/MediaCenter/?q=node/view/631>

New IAESB Exposure Draft Focuses on Clarifying Accounting Education Standards

The International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC) approved a new exposure draft (ED) that includes recommendations to help improve the clarity of International Education Standards. Comments on this new ED, *Explanatory Memorandum on IAESB Drafting Conventions*, are invited by May 29, 2009.

Clarifying Professional Standards

The *Explanatory Memorandum on IAESB Drafting Conventions* reaffirms the IAESB's belief that the use of clear, concise, consistent, and definitive imperatives are essential to the consistent application of international standards. Key elements of the new drafting style include:

- Basing the standards on objectives, as opposed to procedural considerations;
- Use of the word "shall" to identify requirements that IFAC member bodies are expected to follow;
- Eliminating the present tense to describe actions by an IFAC member body, which some had regarded as ambiguous in terms of obligation; and
- Structural improvements to enhance the overall readability and understandability of the standards.

"International standards that are clear and capable of consistent application should contain no ambiguity about the requirements that an IFAC member body or other interested stakeholder in accounting education must meet," states Mark Allison, chair of the IAESB. "The proposed changes are designed to achieve this goal. This, in turn, will enhance implementation worldwide."

The IAESB has focused its efforts on (1) defining the structure of the Standards, and (2) clarifying the language used to describe the requirements of each IFAC member body. The development of drafting conventions will ensure consistency among IAESB educational pronouncements, as well as consistency with other Boards' use of drafting conventions wherever possible.

How to Comment

The ED can be viewed by going to www.ifac.org/EDs. Comments may be submitted by email to edcomments@ifac.org. They can also be faxed to the attention of the IAESB Technical Manager at +1 (212) 286-9570 or mailed to IFAC, 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on IFAC's website.

<http://www.ifac.org/MediaCenter/?q=node/view/632>

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