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IASB Seeks Comments on a Proposed New Standard on Income Tax Accounting

The International Accounting Standards Board (IASB) today published for public comment an exposure draft of a proposed new standard on the accounting for income tax. If adopted, the standard would replace the existing requirements in IAS 12 Income Taxes.

The proposed standard retains the basic approach to accounting for income tax, known as the temporary difference approach. The objective of that approach is to recognise now the future tax consequences of past events and transactions, rather than waiting until the tax is payable. Although the proposed standard retains the same principle, the IASB proposes to remove most of the exceptions in IAS 12, to simplify the accounting and strengthen the principle in the standard. In addition, the IASB proposes a changed structure for the standard that will make it easier to use.

Introducing the exposure draft, Sir David Tweedie, Chairman of the IASB, said:

Income tax requirements differ considerably from jurisdiction to jurisdiction. The application of the existing requirements to these different circumstances can be difficult, resulting in complex and potentially diverse interpretations. Our aim is to achieve a clearer, more principle-based standard that will make the accounting requirements on income tax easier to understand and apply and will also result in more consistent reporting.

I also welcome and support the efforts of several national standard setters, in particular the UK Accounting Standards Board (ASB) and the German Accounting Standards Board (GASB), to undertake a fundamental review of income tax accounting.

The proposals are set out in the exposure draft Income Tax which is open for comment until 31 July 2009. The exposure draft is available on the ' Open for Comment ' section on www.iasb.org . The IASB expects to hold a webcast soon to introduce the proposals in the exposure draft and details will be announced on the website in due course. A flow chart and illustrative examples to illustrate the proposals in the exposure draft have been prepared by the IASB's staff and posted on the project page of the website.

<http://www.iasb.org/News/Press+Releases/IASB+seeks+comments+on+a+proposed+new+standard+on+income+tax+accounting.htm>

IFAC Supports G20 Objectives for Reform of Global Financial System

The International Federation of Accountants (IFAC) endorses the proposals to enhance global financial regulation and improve the transparency of the international financial system that were issued in the G20 Communiqué on the world economic crisis on April 2 in London.

The G20 objectives are consistent with many of the recommendations that IFAC sent to the G20 Working Groups prior to the London summit, such as the call for implementing the Financial Stability Board's 12 key International Standards and Codes (which include International Standards on Auditing); making significant progress toward a single set of high-quality global accounting standards; making improvements in the international regulatory framework; and strengthening the roles of the International Monetary Fund and the World Bank. (See IFAC's submission at www.ifac.org/financial-crisis).

"We support the G20 in building a reformed international financial system," states Ian Ball, Chief Executive Officer of IFAC. "The accountancy profession will have a vital role to play moving forward, and IFAC will continue to emphasize the measures we suggested in our recommendations to the G20 last week."

Among IFAC's recommendations were the adoption of International Public Sector Accounting Standards (IPSASs) in all jurisdictions and the provision by the G20 of sufficient resources to develop and disseminate implementation guidance for the global standards they support. IFAC also proposed:

- Strengthening of the International Monetary Fund's *Code of Good Practices on Fiscal Transparency* through the application of IPSASs;
- Support for the establishment of well-governed professional accountancy bodies in countries where they do not currently exist;
- Continued support for the World Bank's Reports on Observance of Standards and Codes (ROSC) initiative;

- The establishment of an international, principles-based threshold of competencies for senior financial officers in public interest entities; and
- That the G20 ensure its actions are supportive of the small business sector.

IFAC is developing a further set of recommendations that builds on the proposals in the G20 Communiqué.

<http://www.ifac.org/MediaCenter/?q=node/view/636>

IASB Responds to G20 Recommendations

Please find below the IASB's response to recent recommendations of the leaders of Group of Twenty (G20) countries regarding accounting standards:

The IASB is committed to taking action on each of the items recommended by the G20 by the end of 2009, the target date suggested by the G20, in order to ensure globally consistent and appropriate responses to the crisis. Later this week, the IASB will publish a summary of the work already underway and proposed further actions.

In its recommendations, the G20 called for 'significant progress towards a single set of high quality global accounting standards.' To achieve this objective, the IASB is working intensively with the FASB, the Accounting Standards Board of Japan (ASBJ), and other national standard-setters. At their meeting on 24 March, the IASB and the FASB reaffirmed their commitment to a joint approach to the financial crisis and to the overall goal of seeking convergence between International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP). The Boards described this goal in a Memorandum of Understanding (MoU) first published in 2006 and updated in 2008.

<http://www.iasb.org/News/Press+Releases/IASB+Responds+to+G20+Recommendations+and+US+GAAP+Guidance.htm>

IPSASB Releases 2009 Handbook of International Public Sector Accounting Pronouncements

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has published the 2009 *Handbook of International Public Sector Accounting Pronouncements*. The handbook provides a single source for financial statement preparers to locate all International Public Sector Accounting Standards (IPSASs). These standards are intended to be used to prepare financial statements for national, state, and local governments and their agencies, as well as international public sector bodies, such as the United Nations and the Organisation for Economic Cooperation and Development.

"The IPSASB is making significant progress on its ambitious work program to achieve substantial convergence with International Financial Reporting Standards. We plan to achieve this by the end of 2009," states Mike Hathorn, IPSASB Chairman. "It is anticipated, therefore, that while changes to the 2009 handbook are minimal, changes to the 2010 handbook will be significant, with new IPSASs planned on financial instruments, intangible assets, entity combinations, and agriculture," adds Hathorn.

The 2009 IPSASB Handbook contains all pronouncements of the IPSASB as of December 31, 2008, as well as the *Code of Ethics for Professional Accountants* issued by the

International Ethics Standards Board for Accountants. The Code is applicable to all professional accountants, including those practicing in the public sector. The updated handbook also includes editorial corrections identified since the publication of the 2008 handbook, as well as amendments to the Code of Ethics.

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 immediate shipment. Print copies of the handbook are free of charge, except for a US\$25.00 shipping cost.

<http://www.ifac.org/MediaCenter/?q=node/view/637>

CFOs Urge SEC to Abandon IFRS Proposal (USA)

Chief financial officers are pushing for new chair of the Securities and Exchange Commission, Mary Schapiro, to drop the much-anticipated IFRS project.

The move comes just eight months after former SEC chairman, Christopher Cox, proposed to move all publicly traded US companies to international financial reporting standards by 2016, according to cfo.com.

The roadmap was first proposed by Cox just before the Lehman Brothers collapse in September last year, but details of the plan weren't formally released until last November.

Almost 40 finance executives who have commented on the SEC's IFRS proposal are concerned about the the cost of switching accounting systems.

Patrick Mulva, controller for ExxonMobil, said: 'Conversion to IFRS could lead to confusion and reduced marketplace confidence in financial statements at a time when confidence in the US financial markets is already low.'

William Stocker, an audit and accounting partner at Marks Paneth & Shron said: 'I don't get the impression that the new administration has made IFRS a priority in the same way the last administration did.'

<http://www.accountancyage.com/accountancyage/news/2240631/cfos-urge-sec-abandon-ifs>

International Public Sector Accounting Standards Board Moves Closer to Global Convergence of Financial Reporting Standards

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) is proposing new financial reporting requirements to assist public sector entities in accounting for financial instruments, such as derivatives, bonds, and loans. These proposed requirements are contained in three newly released exposure drafts (EDs): ED 37, *Financial Instruments: Presentation*, ED 38, *Financial Instruments: Recognition and Measurement*, and ED 39, *Financial Instruments: Disclosures*.

"The unprecedented scale of governmental intervention in the financial sector makes it essential that global transparency and accountability is enhanced through consistent

financial reporting of their exposures to financial instruments. Approval of these EDs is just the beginning of a process by which the IPSASB will develop guidance that addresses financial instruments for the public sector and, in doing so, to ultimately develop guidance that addresses further public sector-specific issues," states Mike Hathorn, Chair of the IPSAS.

The EDs propose IPSASs that converge with the International Accounting Standards Board's standards for financial instruments as at December 31, 2008, with limited changes, representing a significant step in the IPSASB's global convergence program, scheduled for completion by December 31, 2009. As part of this program, International Public Sector Accounting Standards will substantially converge with International Financial Reporting Standards approved at December 31, 2008, with limited changes to ensure consistency with other IPSASs, while addressing specific public sector issues.

Additional application guidance has been included in each ED on two key public sector issues. These are provision by government of financial guarantees that are given at zero cost or below market price and, secondly, concessionary loans (loans at below market interest rates). Governments have been using financial guarantees, such as guaranteeing bank deposits and low interest rate loans to support private sector businesses during the current economic crisis. Similar arrangements were also used prior to the crisis, often to achieve social objectives, such as to provide housing assistance.

<http://www.ifac.org/MediaCenter/?q=node/view/641>

Big Four Plead for Protection from Lawsuits (UK)

Representatives from the Big Four firms will meet the Government this week to discuss how they might respond to a surge in litigation from bruised investors who have suffered losses in big company failures, *The Times* reported.

Class action lawsuits, if successful, have the potential to cause serious upheaval for both the audit market and the wider business community. All but two firms listed on the FTSE 100 have a big four auditor.

Talks between the big four and the Department of Business, Enterprise and Regulatory Reform (BERR) are set to begin this week. Lobbying efforts are being led on the firms' behalf by the Institute of Chartered Accountants in England and Wales, the newspaper said.

Under current laws, auditors can suffer the entire liability for a corporate collapse even if they are found to be only partly to blame.

<http://www.accountancyage.com/accountancyage/news/2241105/accountants-plea-protection>

FRC Urges SEC to Let US Companies Adopt IFRS

The UK's financial reporting regulator has called on the US markets to allow US domestic companies to implement IFRS if they wish.

The Financial Reporting Council has called on the Securities & Exchange Commission to open up IFRS to its domestic companies to use for financial reporting in place of US GAAP. Such a move would be an extension of the SEC's current policy which enables non-US companies listed in the US to use IFRS.

'A decision by the SEC to permit US companies to use IFRS would enhance the global acceptance of IFRS as a set of high quality accounting standards,' said FRC chief executive Paul Boyle.

The FRC also wants the SEC to clarify that companies which move to IFRS will not be forced back onto US GAAP if IFRS is not mandated to US companies in the future.

The International Accounting Standards Board and US counterpart the Financial Accounting Standards Board should work together to improve financial reporting, rather than focus on the convergence of IFRS and US GAAP as its goal.

<http://www.financialdirector.co.uk/accountancy/news/2241352/frc-urges-sec-let-companies>

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