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IAASB Staff Issues Q&As to Guide Auditors' Effective Implementation of Clarified ISAs; Addresses SME Issues

To assist auditors worldwide in implementing the clarified International Standards on Auditing (ISAs), the staff of the International Auditing and Assurance Standards Board (IAASB) has developed a new question-and-answer publication entitled Applying ISAs Proportionately with the Size and Complexity of an Entity. The publication is relevant in the context of any audit, but will be of particular help to those who audit, or oversee the audits of, small- and medium-sized entities (SMEs).

"SMEs are an important sector of national economies and one that is sensitive to significant changes in standards," emphasizes James Gunn, IAASB Technical Director. "This staff publication highlights provisions within the ISAs that guide auditors in applying the requirements to audits of SMEs in an efficient and effective manner."

The questions and answers explain how the design of the ISAs enables them to be applied in a manner that is proportionate to the specific characteristics of the entity subject to audit. Furthermore, answers are given to questions relating to audit procedures, work effort, documentation, and professional judgment.

"Many of those with responsibility for financial statement audits are progressing their consideration of implementation issues of the clarified ISAs. We applaud this and believe that the IAASB staff has a role to play in supporting the implementation effort," adds Mr. Gunn.

The publication is available for download free of charge from the IFAC website (<http://web.ifac.org/clarity-center/support-and-guidance>).

<http://www.ifac.org/MediaCenter/?q=node/view/662>

IFRIC Proposes Guidance on Settling Financial Liabilities with Equity Instruments

The International Financial Reporting Interpretations Committee (IFRIC)* today published for public comment a draft Interpretation, IFRIC D25 *Extinguishing Financial Liabilities with Equity Instruments*. The proposal is open for public comment until 5 October 2009.

In the current environment, some entities are renegotiating the terms of financial liabilities with their creditors. In some circumstances, the creditor agrees to accept an entity's shares or other equity instruments to settle the financial liability fully or partially. The IFRIC was asked for guidance on how an entity should account for such transactions in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 32 *Financial Instruments: Presentation*. IFRIC D25 proposes that:

- the entity's equity instruments are part of any 'consideration paid' to extinguish the financial liability;
- the equity instruments are measured at either their fair value or the fair value of the financial liability extinguished, whichever is more reliably determinable;
- any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of these equity instruments is included in the entity's profit or loss for the period.

IFRIC D25 *Extinguishing Liabilities with Equity Instruments* is available for eIFRS subscribers from today and is also freely available on the IASB website.

<http://www.iasb.org/News/Press+Releases/IFRIC+proposes+guidance+on+settling+financial+liabilities+with+equity+instruments.htm>

IASB Publishes Proposals on the Classification of Rights Issues

The International Accounting Standards Board (IASB) today published for public comment proposals on the classification of rights issues.

The proposals seek to clarify the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. Current practice appears to require such issues to be accounted for as derivative liabilities. The proposals state that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

Many rights issues are denominated in currencies other than the functional currency of the issuer, and the global financial crisis has led to an increase in the number of such issues as entities seek to raise additional capital. The IASB has therefore accelerated its work on this aspect of its comprehensive response to the crisis. The proposals are set out in an exposure draft of an amendment to IAS 32 *Financial Instruments: Presentation*, which is open for comment for 30 days and if adopted will apply retrospectively.

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

The IASB continues to give priority to its work related to the global financial crisis. In this case, the IASB has moved swiftly to address a potential inconsistency in the way that rights issues have been accounted for when they are offered in currencies other than the entity's functional currency.

The proposals in the exposure draft *Classification of Rights Issues* are open for comment until **7 September 2009**. After considering comments received on the exposure draft, the IASB plans to issue the final amendment before the end of 2009 with early application permitted. The exposure draft is available on the 'Open for Comment' section on www.iasb.org. Subscribers may also view the document in eIFRSs.

<http://www.iasb.org/News/Press+Releases/IASB+publishes+proposals+on+the+classification+of+rights+issues.htm>

The UK Accounting Standards Board Reveals UK GAAP Plans

The UK Accounting Standards Board (ASB) has published plans which would mean the end of UK Generally Accepted Accounting Principles (GAAP).

Under the proposals, the current system would be replaced by a three tier approach focused on International Reporting Standards (IFRS).

Publicly accountable entities would have to use IFRS as adopted by the European Union.

All other UK organisations, other than those which are allowed to apply the Financial Reporting Standard For Smaller Entities (FRSSE), would be allowed to apply the IFRS for small and medium-sized enterprises (SMEs).

If they desire, small entities could also use IFRS for SMEs, although they would be permitted to apply FRSSSE.

All entities in the UK would be allowed to use full IFRS if they wanted.

Ian Mackintosh, chairman of the ASB, explained why the change was deemed necessary.

He said: "For a number of years, the Board has stated that, in the medium term, there is no case for the use of two different accounting frameworks in the UK."

PricewaterhouseCoopers predicted the end for UK GAAP when the International Accounting Standards Board published the IFRS for SMEs.

http://www.cimaglobal.com/cps/rde/xchg/live/root.xsl/1630_11502.htm?itemid=19308859&categoryname=Financial Reporting

ASEAN, India Sign Free Trade Deal

India and the Association of Southeast Asian Nations (ASEAN) signed a free-trade agreement on Thursday expected to raise annual trade to 60 billion dollars within seven years, officials said.

"The signing today is a good sign of the extended trade between ASEAN and India," said Pornniva Nakasai, commerce minister of Thailand, which holds the 10-member regional bloc's rotating chairman ship.

"The agreement comes at an appropriate time taking into account the current world economic crisis," she said in a statement.

The agreement has been hailed as a milestone following years of tough negotiations between ASEAN and India, its seventh-largest trading partner. It covers billions of dollars in trade and a market of 1.7 billion people.

The signing came ahead of a meeting in Bangkok this weekend of finance ministers from ASEAN and its regional partners China, Japan, South Korea, India, Australia and New Zealand.

Trade between ASEAN and India totaled 47 billion dollars last year but would rise to 60 dollars billion under the pact, Dow Jones newswires quoted Thai Commerce Ministry spokesman Krisda Piampongsant as saying.

The Southeast Asian bloc of about 550 million people is forging free trade pacts with key regional economies, including China and India, to ensure it does not become economically sidelined.

ASEAN itself aims to achieve a single market and manufacturing base by 2015.

http://www.channelnewsasia.com/stories/afp_asiapacific_business/view/448668/1/.html

PCAOB Publishes Foreign Firm Inspection Lists

The Public Company Accounting Oversight Board has published two lists of accounting firms that have not yet been inspected and jurisdictions in which it has inspected registered non-U.S. firms.

One is a list of registered firms in other countries that have not yet been inspected by the PCAOB, even though more than four years have passed since the end of the calendar year in which the firm first issued an audit report while registered with the board. The other is an updated listing of foreign jurisdictions in which the PCAOB has conducted inspections of registered non-U.S. firms.

With regard to the first list, the PCAOB said the delay in conducting its initial inspection of registered firms is consistent with the board's rules. Rule 4003(f) extended from 2008 to 2009 the deadline for the first inspection of certain registered non-U.S. firms. Rule 4003(g), if approved by the Securities and Exchange Commission, would give the board the ability to postpone, for up to three years, the first inspection of any registered foreign public accounting firm that the PCAOB is otherwise required to conduct before the end of 2009 and that is in a jurisdiction in which the board did not conduct an inspection prior to 2009.

With regard to the second list, the PCAOB noted that it has conducted inspections of non-U.S. firms in 27 jurisdictions as of July 31, 2009.

The PCAOB also reported on its progress on meeting its 2009 target for the inspection of certain non-U.S. firms eligible to be deferred, pursuant to a recent rule amendment. As of Dec. 31, 2008, the PCAOB had completed 128 foreign inspections. In 2009, the board contemplates conducting an additional 82 non-U.S. inspections. As of July 31, 2009, the PCAOB has conducted 19 of these 2009 non-U.S. inspections and has confirmed the timing of an additional 19 inspections.

For more information, visit www.pcaobus.org.

<http://www.webcpa.com/news/PCAOB-Publishes-Foreign-Inspection-Lists-51355-1.html>

Asean+6 to Create World's Biggest Economic Bloc

Asean and its six major trading partners yesterday reaffirmed their resolve to create the world's largest economic bloc through the "East Asia Free Trade Agreement" and "Comprehensive Economic Partnership in East Asia" within 15 years.

The consensus to move forward with economic integration was a successful climax to the four-day Asean Economic Ministers (AEM) meeting under Asean+3 (China, Japan and South Korea) and Asean+6 (Asean+3 and India, Australia and New Zealand).

The 16 member countries will lead the region to pass the US and European Union in becoming independent economic zones. The achievement in the future will not only strengthen their regional trade relations but also wean them from imports from outside the region.

A senior trade negotiator said Asean's integration with East Asian countries will force the European Union to rush to clinch bilateral pacts with individual Asean members for fear of losing benefits after the world's largest free trade agreement in East Asia was established.

During the AEM meeting, three other milestones were achieved - the Asean-India Free Trade Agreement, Asean-China Investment Agreement, and the completion of the Asean-South Korea Free Trade Agreement after both sides reached an understanding on rules of origin for trade in goods.

As chairwoman of the AEM meeting, Commerce Minister Pornniva Nakasai said it was a significant step for Asean to move forward with "economic integration in the East Asia region".

The outcome of this meeting will be forwarded to the October summit of Asean leaders in Prachuap Khiri Khan's beach resort town of Cha-Am, she said.

The CEPEA will form the largest economic region with 3 billion people, accounting for 49.6 per cent of the world's population, and sharing 26 per cent of the world's GDP.

According to a study by the Economic Research Institute for Asean and East Asia, liberalising trade in the 16 countries will increase their GDP by 1.3 percentage points. For Asean alone, GDP will soar by 3.83 percentage points, while Thailand will welcome a boost of 4.78 percentage points.

For EAFTA, the GDP of members would increase by 1.2 percentage points. Asean would benefit more than Asean+3 with even higher GDP growth of 3.6 percentage points while China, South Korea and Japan will rise by 0.9 percentage point on the average. Thailand's GDP would get a lift of 4.5 percentage points.

Commerce Ministry spokesman Krisda Piampongsant said Asean has been taking a step-by-step approach to opening trade with those major partners. So far, it has completed the priority task of free trade agreements, called Asean+1, namely Asean-Japan, Asean-China, Asean-South Korea, Asean-Australia-New Zealand, and Asean-India.

The second priority is to aggressively move toward Asean's goal of stitching together an Asean Economic Community by 2015. Then it will cement economic cooperation with China, South Korea and Japan before moving toward becoming the largest world's free trade area through CEPEA.

"What we are doing, the economic integration and free trade agreement with those major trading partners will boost the economy of the members and we expect their economies will recover by next year," he said.

New Zealand Trade Minister Tim Groser told the joint press conference on Saturday that this AEM meeting had provided for a very constructive dialogue.

"All members should work toward the goal. We're now moving forward in the right direction," Groser said.

http://www.bilaterals.org/article.php3?id_article=15743

IASB Publishes Proposals for Amendments under Its Annual Improvements Project

The International Accounting Standards Board (IASB) today published for public comment an exposure draft of proposed amendments to eleven International Financial Reporting Standards (IFRSs) under its annual improvements project.

The proposed amendments reflect issues discussed by the IASB in the project cycle that began last year. The proposals range from clarification of the measurement of non controlling interests in IFRS 3 *Business Combinations* (as revised in 2008) to changes of wording to clarify the meaning of IFRSs and remove unintended inconsistencies.

Unless otherwise specified, the proposed effective date for the amendments is for annual periods beginning on or after 1 January 2011, although entities would be permitted to adopt them earlier. The proposed effective date for the amendments arising from IFRS 3 and the consequential amendments to the transition requirements of IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008) is 1 July 2010.

The exposure draft can be accessed via the project website or on the 'Open to Comment' section on www.iasb.org. The IASB requests comments on the exposure draft by 24 November 2009.

<http://www.iasb.org/News/Press+Releases/IASB+publishes+proposals+for+amendments+under+its+annual+improvements+project.htm>

Accountancy Fees Comparison Site Launched (UK)

A price comparison site on accountants' fees has been launched opening up the market to greater scrutiny.

The comparison site, www.accountantsquoteme.co.uk was made live last week and has already received over 15,000 hits.

The site, which was founded by ex accountant Tom Bishop and website developer John Ayres, allows businesses or high net worth individuals to log on and compare accountant fees on a national basis.

Entering the argument over online computing Bishop said: 'We live in a world where people don't need to have an accountant in the same town or city in which they are working.'

'Accountants can provide a nationwide service regardless of where they are based and what this website does is match clients up with those firms charging what they want to pay,' he said.

'It will also mean that London businesses no longer need to pay London accountants' rates.'

Bishop believes that this new service could make accountants nervous about their fee charges but believes the transparency could bring a breath of fresh air to the industry.

Ayres and Bishop are hoping to launch a similar price comparison site for the legal profession.

<http://www.accountancyage.com/accountancyage/news/2248545/accountancy-fees-comparison>

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