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## In This Issue

- **IFAC Forum in Beijing Addresses Needs and Solutions for Small and Medium Practices and their SME Clients**
- **IFAC Releases New Tool that Gauges ISA Adoption**
- **Move To Converge On Single Global Accounting Standard**
- **IAASB Staff Practice Alert Helps Auditors Plan More Effective Use of External Confirmations**
- **APEC Ministers Stress Macroeconomic Coordination, Financial Institution Reforms**
- **IASB Completes First Phase of Financial Instruments Accounting Reform**
- **IMF Head Says World Economy 'Highly Vulnerable'**
- **IPSASB Issues Consultation Paper on Reporting on the Long-Term Sustainability of Public Finances**

## **IFAC Forum in Beijing Addresses Needs and Solutions for Small and Medium Practices and their SME Clients**

Over 200 delegates from more than 40 countries gathered in Beijing for the fourth annual IFAC SMP Forum ([www.ifac.org/smp/index.php#Resources](http://www.ifac.org/smp/index.php#Resources)) of the International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Committee--making it the largest gathering in the event's history. Co-hosted by the Chinese Institute of Certified Public Accountants (CICPA) and the Confederation of Asian and Pacific Accountants (CAPA), the conference covered topics ranging from how to accomplish sustainable growth during economic turbulence to ensuring that international standards are relevant to SMEs/SMPs, and included presentations from the World Bank and the Asian Development Bank.

In greeting attendees, IFAC's President Robert L. Bunting spoke of the CICPA as "an active and

much-appreciated member of IFAC" and complimented its role in adopting and implementing international standards in China. This includes convergence of Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and accelerating plans to accept the recently issued clarified International Standards on Auditing (ISAs) from the International Auditing and Assurance Standards Board.

Turning his subject toward the global economic crisis, Mr. Bunting said, "I realize that, here in China, the story has been somewhat different; indeed your country has been a source of continued growth and contributed to the world economy's recovery. But because of the global nature of our business environment, your business sector has suffered from many of the same problems as other countries, relating to employment and general financial woes.

"And when a country suffers, chances are very good that SMEs, and the SMPs that support them, suffer more than the average. That is why this year's Forum is so critical," Mr. Bunting said. "Yes, IFAC understands that SMEs are engines for economic growth and ideas--but we also know that the SMPs who work with them are the first 'go-to partners' for these entrepreneurs, with the knowledge of the issues they face and how they can be addressed. And that is why IFAC supports them as they help SMEs create a vision for change." He then spoke of the recent SME lending survey conducted by IFAC with *The Banker* magazine. It found that lenders were "highly influenced" by loan-applicant-SMEs who had external accountants providing assurance services and/or financial advice.

According to Sylvie Voghel, Chair, SMP Committee, "This event has provided a unique setting for representatives from IFAC member bodies, recognized regional organizations, acknowledged accountancy groupings, and other accountancy organizations and guests to exchange ideas." She added, "The result was impressive--new insights on ways for IFAC and the international profession to respond to a wide range of issues currently facing SMPs and SMEs, both in China, the world's most populous nation, and globally."

<http://www.ifac.org/MediaCenter/?q=node/view/677>

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## **IFAC Releases New Tool that Gauges ISA Adoption**

Adoption of international standards on auditing (ISAs) is well underway, according to the [newly released online chart](#) from the International Federation of Accountants (IFAC). Compiled from information gathered by the IFAC Member Body Compliance Program, the chart indicates that ISAs as issued by the International Auditing and Assurance Standards Board (IAASB) have been adopted or otherwise used as the basis of national standards in 126 jurisdictions around the world.

"This tool gives an overview of ISA adoption by jurisdiction, as well as other valuable information about how the adoption process can vary," comments Russell Guthrie, IFAC Director, Quality and Member Relations. "It also demonstrates the commitment of IFAC and its member bodies to transparency by providing a comprehensive summary of ISA adoption to our stakeholders and welcoming feedback that will allow further refinement of the information, especially as jurisdictions adopt the recently issued Clarified ISAs, which are a result of a comprehensive program to enhance the clarity of auditing standards," he concludes.

Adoption of international standards is the first step of a continuous process, following which successful implementation is vital to ensure professionals understand and apply the standards appropriately. IFAC member organizations are required to use their best endeavors to lead or actively support that process within their countries. They communicate this commitment through their Compliance Action Plans that describe the current status of adoption and their planned activities to progress implementation.

In line with the ongoing nature of the adoption process, the chart and notes, gathered from the Compliance Program and a variety of other sources, will be periodically updated as new information is received.

<http://www.ifac.org/MediaCenter/?q=node/view/678>

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### **Move To Converge On Single Global Accounting Standard**

The Malaysian Accounting Standards Board (MASB) and 23 other accounting standard-setters in the Asian-Oceanian region held their first meeting today in Kuala Lumpur to facilitate the convergence to a single global accounting standard.

MASB chairman Mohammad Faiz Azmi said the regional forum was to facilitate convergence with international financial reporting standards (IFRS).

"This meeting plays an important role as a stepping stone in the process of convergence with IFRS for this region," he said during the Asian-Oceanian standard-setters group meeting.

Mohammad Faiz said the first meeting was also to discuss and provide input on several of the most recent draft proposals issued by the International Accounting Standards Board (IASB).

"The discussions will include views on the fair value measurement, the presentation of financial statements, revenue recognition and the IAS 39 on hedge accounting," he said.

Besides Malaysia, the standard-setters at the meeting included representatives from Australia, China, India, Japan, Hong Kong, South Korea, New Zealand, Saudi Arabia and Singapore.

The opening ceremony was officiated by Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah.

According to Mohammad Faiz, the convergence to a single global standard will benefit the entire business community in Malaysia as well as the Asian-Oceanian region.

"It will help us to be competitive in an increasingly global market," he said.

On August 1, 2008, MASB announced a plan to converge with IFRS by January 1, 2012.

Following the announcement, MASB adopted most of the key IFRS and apart from some limited amendments or revisions, the only key ones remaining to be adopted now are IAS 39 on hedge accounting and IAS 41 on accounting standards for agricultural activity.

The proposed adoption date for IAS 39 is Jan 1, 2010, while the adoption date for IAS 41 will be announced later.

"With our participation in Asian-Oceanian standard-setters group, we hope to enable Malaysian corporate reporting stakeholders to have an influence on the direction of standards issued by the IASB," Mohammad Faiz said.

According to IASB chairman Sir David Tweedie, there are indications that the United States will eventually adopt the international financial reporting standards issued by the board.

On the effects of the global financial crisis on accounting transactions, he said there will be an impact on financial instruments such as bank loans, how to detect losses earlier and whether these should be based on value or cost.

He was speaking to reporters during the Asian-Oceanian standard-setters group meeting.

<http://www.bernama.com/finance/news.php?id=452385>

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### **IAASB Staff Practice Alert Helps Auditors Plan More Effective Use of External Confirmations**

External confirmation procedures can be a compelling tool in obtaining relevant and reliable evidence for audits of financial statements. Recent experience, however, highlights the need for auditors to pay particular attention to circumstances that may affect the planned use of confirmations, including the risk of fraud and the adequacy of evidence.

To raise awareness of potential issues and to help auditors use external confirmation procedures more effectively, the staff of the International Auditing and Assurance Standards Board (IAASB) has released today a new audit practice alert. Titled *Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements*, the alert highlights areas within the International Standards on Auditing (ISAs) that are particularly relevant when deciding to request external confirmations, designing and carrying out confirmation procedures, and evaluating responses received. The alert also raises awareness of potential issues that may surface from the increasing use of technology in the confirmation process and the use of restrictive language by respondents.

James Gunn, IAASB Technical Director, explains, "Requesting external confirmations is a commonly used audit procedure in an audit of financial statements. Today's environment, however, reinforces the need for professional skepticism and professional judgment in all aspects of an audit, including the use of confirmations. The alert reminds auditors of the need to maintain control over the confirmation process, and to remain alert to circumstances that may undermine its effectiveness."

<http://www.ifac.org/MediaCenter/?q=node/view/679>

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### **APEC Ministers Stress Macroeconomic Coordination, Financial Institution Reforms**

Singapore Foreign Minister George Yeo said Wednesday there was consensus among his Asia Pacific Economic Cooperation (APEC) counterparts that the economic crisis is by no means over.

He warned the upturn now is a respite but the situation is still fragile, and the root causes of the problem still need to be addressed.

Coming out of a breakfast meeting, which was also attended by US Secretary of State Hilary Clinton, Mr Yeo told reporters that APEC ministers had discussed the importance of resisting protectionism at their informal meet.

He added that "creeping" protectionism seen now must be addressed or it would lead to a more dire situation.

During their meeting, APEC ministers also discussed macroeconomic coordination and the reform of financial institutions.

They made a strong call for APEC members to work together with the G20 group, which brings together industrial and emerging-market economies from around the world, including the European Union.

Mr Yeo stressed it is important for APEC to work with G20 to tackle economic challenges.

"It's only a few weeks since the meeting in Pittsburg. Ten of the leaders in Pittsburg are now here in Singapore and in a few months' time, they'll be meeting in Canada, and then in Korea and back to Japan for the next APEC leaders meeting," said Mr Yeo. "So it's very important for APEC, which makes up half the world's economy, and the G20, (to) work closely together."

The minister said there is agreement that APEC is important in bringing all four corners of the Pacific together, and it would help secure another generation of peace, which will make possible further development and economic progress for everybody.

Mr Yeo added that the ministers also discussed the need to address climate change with some urgency and the need for a good outcome in Copenhagen next month.

<http://www.channelnewsasia.com/stories/economicnews/view/1017415/1/.html>

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### **IASB Completes First Phase of Financial Instruments Accounting Reform**

The International Accounting Standards Board (IASB) issued today a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial assets. Publication of the IFRS represents the completion of the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with a new standard - IFRS 9 *Financial Instruments*. Proposals addressing the second part, the impairment methodology for financial assets were published for public comment at the beginning of November, while proposals on the third part, on hedge accounting, continue to be developed.

The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity – an objective endorsed by the Group of 20 leaders (G20) and other stakeholders internationally. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The IASB has received broad support for its approach. This became evident during the unprecedented global scale of consultation and outreach activity it undertook in order to refine proposals contained within the exposure draft published in July 2009. Round table discussions were held in Asia, Europe and the United States. Interactive webcasts, each attracting thousands of registered participants, have been held, often on a weekly basis. In addition, more than a hundred meetings have been held with interested parties around the world during the past four months.

The views expressed to the IASB during its consultations resulted in the proposals being modified to address concerns raised and to improve the standard. For example, IFRS 9 requires the business model of an entity to be assessed first to avoid the need to consider the contractual cash flow characteristics of every individual asset. It requires reclassification of assets if the business model of an entity changes. The IASB changed the accounting that was proposed for structured credit-linked investments and for purchases of distressed debt. The IASB also addressed concerns expressed about the problems created by the mismatch in timings between the mandatory effective date of IFRS 9 and the likely effective date of a new standard on insurance contracts.

Furthermore, in response to suggestions made by some respondents, the IASB decided not to finalise requirements for financial liabilities in IFRS 9. The IASB has begun the process of giving further consideration to the classification and measurement of financial liabilities and it expects to issue final requirements during 2010.

A feedback statement providing comprehensive details of how the IASB has responded to comments received through the consultation process is available for download by [clicking here](#).

The effective date for mandatory adoption of IFRS 9 *Financial Instruments* is 1 January 2013. Consistent with requests by the G20 leaders and others, early adoption is permitted for 2009 year-end financial statements.

Commenting on IFRS 9, Sir David Tweedie, Chairman of the IASB, said:

*We have delivered on our commitment to the G20 and stakeholders internationally to provide an improved financial instrument standard for the classification and measurement of financial assets for use in 2009. Benefiting from unprecedented levels of consultation with stakeholders around the world, the IASB has made significant changes in its initial proposals to improve the standard, provide enhanced transparency and respond to stakeholder concerns.*

<http://www.iasb.org/News/Press+Releases/IASB+completes+first+phase+of+financial+instruments+accounting+reform.htm>

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### **IMF Head Says World Economy 'Highly Vulnerable'**

The head of the IMF Dominique Strauss-Kahn said on Monday that although the worst of the global financial storm had passed, the world economy remains "highly vulnerable."

"Today the storm has passed. The worst has been averted thanks to a bold and rapid policy response and thanks to cooperation," he told delegates at the annual conference of the Confederation of British Industry (CBI) - Britain's biggest employers group.

"We can say that the recovery has started but everyone understand that it is very fragile and still dependent on policy support. The financial conditions have improved but are still far from normal."

Strauss-Kahn, who is managing director of the International Monetary Fund, added: "The economy ... (is) getting better, but (is) still highly vulnerable."

"During the crisis, everyone was united by a common purpose. Going forward, this might dissolve. So the road ahead will be less clear cut."

Strauss-Kahn added that nations needed to cooperate more to build on signs of worldwide economic recovery.

"The global economy has made remarkable progress over the past year, but as we stand on the cusp of recovery, new and complex challenges are already popping up," he said.

"How do we deal with these challenges? In my view, there is really only one fundamental answer - to persevere with the spirit of cooperation that has brought us to this point."

He added: "The challenges... all require cooperation. We need cooperation on exit strategies. We need cooperation on the new growth model. We need cooperation on financial sector regulation."

The CBI is meanwhile focusing its latest annual London conference on how businesses can best recover from Britain's longest recession on record.

Britain is the last major world power still mired in recession, after the eurozone, France, Germany, Japan and the United States all emerged from a steep global economic downturn.

[http://www.channelnewsasia.com/stories/afp\\_world\\_business/view/1020020/1.html](http://www.channelnewsasia.com/stories/afp_world_business/view/1020020/1.html)

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### **IPSASB Issues Consultation Paper on Reporting on the Long-Term Sustainability of Public Finances**

There is a growing understanding that future generations of taxpayers will have to deal with the fiscal consequences of current government policies. Concerns about the ability of governments to meet future service delivery and financial commitments for health, pensions, debt-servicing, and other obligations have long existed, but have increased in the current economic environment. Uncertainty over the long-term financial consequences of government interventions, including the bailouts and stimulus packages that have characterized the global financial crisis, has added another dimension to concerns over the long-term sustainability of public finances in many countries.

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has just published a Consultation Paper, *Reporting on the Long-Term Fiscal Sustainability of Public Finances*. It seeks views on how information on the long-term sustainability of government programs, increasingly available in many jurisdictions, may complement information available in traditional financial statements, thereby increasing transparency and enhancing accountability and decision making.

"The need for understandable information on the long-term sustainability of all governmental programs has become increasingly apparent from the work that the IPSASB has carried out in developing its own public sector conceptual framework and on accounting for social benefits," says Mike Hathorn, Chair of the IPSASB. "There is a growing awareness that such information can be crucial in allowing citizens to evaluate the scale of the fiscal challenges facing governments, so that the impact on future generations can be better understood. This Consultation Paper asks for views on how such information might be reported."

The IPSASB's project has benefited greatly from the work of a task force, including representatives from governments, audit offices, accounting standard-setters, statistical accountants, and international organizations. Projects recently undertaken by the Organisation for Economic Co-operation and Development and the United States Federal Accounting Standards Advisory Board have been particularly valuable.

The Consultation Paper is available to download free of charge from the IFAC website ([www.ifac.org/Guidance/EXD-Outstanding.php](http://www.ifac.org/Guidance/EXD-Outstanding.php)). The IPSASB encourages IFAC members, associates, and regional accountancy bodies to promote the availability of this Consultation Paper to their members and employees.

<http://www.ifac.org/MediaCenter/?q=node/view/684>

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