



Monthly International News

Issue 1 / 2010

January 2010

In This Issue

- **IASB Re-Exposes Proposals on Measuring Liabilities for Asset Decommissioning, Legal Disputes and Similar Items**
- **World Economy Getting Back to Normal, Say Central Bankers (EU)**
- **“Enterprise Governance” Winner of IFAC’s Articles of Merit for Professional Accountants in Business**
- **IASC Foundation Publishes Free Training Material for IFRS for SMEs**
- **IAASB Staff Issues Q&As to Raise Awareness of XBRL Uses in Business Reporting**
- **IPSASB Publishes Three New Standards on Financial Instruments**
- **IMF Chief Says Asia May Need Capital Controls**
- **India to Fast-Track Talks to Sew Up ASEAN Services Trade Pact**

IASB Re-Exposes Proposals on Measuring Liabilities for Asset Decommissioning, Legal Disputes and Similar Items

The International Accounting Standards Board (IASB) today published for public comment an exposure draft of one section of a replacement for IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The section contains revised proposals for measuring liabilities within the scope of IAS 37.

IAS 37 applies to liabilities not covered by other accounting standards, such as liabilities to decommission assets and liabilities arising from legal disputes. The IASB previously published proposals to amend IAS 37, including revised measurement requirements. In the light of the comments received the IASB identified a need to develop more guidance on one part of those

proposals: the measurement of these liabilities. The proposals published today seek public comment on that draft guidance.

To enable interested parties to see the proposed measurement section in the context of the proposed standard as a whole, the IASB is preparing a working draft of the entire standard and aims to post a copy on its website in February 2010. Until that working draft becomes available, the Liabilities - Amendments to IAS 37 project page on <http://go.iasb.org/Liabilities> provides a link to a decision summary that contains both the measurement proposals and the other decisions that will appear in the new standard.

The IASB aims to complete the standard, including final guidance resulting from today's proposals, in 2010.

An IASB 'Snapshot', a high level summary of the proposals, is available to download free of charge from the project section of the IASB website.

The IASB invites comments on the exposure draft, *Measurement of Liabilities in IAS 37*, by 12 April 2010. The exposure draft is available on the 'Open for Comment' section on www.iasb.org from 5 January 2010.

<http://www.iasb.org/News/Press+Releases/IASB+re-exposes+proposals+on+measuring+liabilities.htm>

World Economy Getting Back to Normal, Say Central Bankers (EU)

Emerging economies are driving a global economic recovery, the head of the ECB said on Monday after central bankers concluded that the world economy was returning to normality.

"At a global level ... there is a confirmation of the progressive normalisation of the economy," European Central Bank (ECB) president Jean-Claude Trichet said on behalf of the central bank chiefs.

During their first quarterly meeting of the year at the Bank for International Settlements (BIS), the central bankers confirmed that a global economic recovery was underway.

"We are in the recovery mode, that is something that is very much due to the emerging economies," Trichet said.

Those economies had "demonstrated resilience," and were "very, very clearly in a more dynamic mode now," the ECB chief told reporters.

The assessment marked an upbeat beginning to 2010, two months after the influential group of central bankers said the world had pulled out of economic freefall but still faced risks that could knock confidence.

However, Trichet warned that commercial banks must ensure that they clean up their balance sheets in the wake of the financial crisis and credit crunch that precipitated the worst recession since the Great Depression of the 1930s.

"We are telling our banks that they have to do themselves, everything to reinforce their balance sheet by all appropriate means," he said.

That included "putting aside their own profit" and being "moderate in remuneration behaviour," he added, amid an ongoing debate over pay and bonuses at banks that are feared as being so large as to present a risk to the entire financial system and economy if they run into trouble.

Trichet also added a note of caution about the risk of inflation, especially in the emerging economies leading the recovery.

"Anchoring solidly price stability in the medium- and long-run is essential for the stability of our economies and for the recovery," he explained,

The central bankers met the heads of the several major commercial banks at the BIS over the weekend to underline the need for a sound financial system to prop up long-term growth.

They said that they hoped that new international standards aimed at bolstering the banking industry's ability to weather future financial crises would be finalised by the end of this year.

"Timely completion of the Basel Committee reform programme is critical to achieving a more resilient banking system that can support sound economic growth over the long-term," Trichet said in a statement released by the BIS.

Leading central bankers and national regulators in the Basel Committee on Banking Supervision said last month that they were aiming to strengthen financial requirements on banks by the end of 2012, once their proposals were refined and tested this year.

The reforms, which have been in the offing for several months, are part of the international response to the crisis triggered by the collapse in financial markets and several major banks over the past two years.

The head of the Financial Stability Board, Italian central bank chief Mario Draghi, on Saturday warned that the financial system still remained very fragile despite a clear improvement.

http://www.channelnewsasia.com/stories/afp_world_business/view/1029949/1/.html

“Enterprise Governance” Winner of IFAC’s Articles of Merit for Professional Accountants in Business

"Enterprise Governance" was chosen as the top article published in 2009 for Professional Accountants in Business (PAIB) by the member bodies of the International Federation of Accountants (IFAC). The Articles of Merit Award Program identifies and promotes outstanding articles on financial and management accounting topics that have previously appeared in the publications of IFAC's 159 member bodies and associates. The articles were selected by IFAC's PAIB Committee and visitors to IFAC's International Center for Professional Accountants in Business.

The 2009 winning article challenges conventional business thinking: Businesses should be more circumspect *during* a boom and be better prepared to *take risks* under harsh conditions. It was first published in *Financial Management*, the monthly members' magazine of the Chartered Institute of Management Accountants.

"Enterprise Governance" and the other top articles form the basis of an annual publication, also called *Articles of Merit*, which covers the important issues affecting the work of professional accountants worldwide. The publication's nine runner-up articles offer additional advice and insights for professional accountants in business on such topics as capital grants, investment appraisal, and shared services, with useful ideas on matters such as governance and risk management, accounting for sustainability, and writing board reports.

The 2009 *Articles of Merit*, together with previous publications, can be downloaded free of charge from the Publications & Resources section of the IFAC website. Each of the ten articles may also be downloaded individually.

<http://www.ifac.org/MediaCenter/?q=node/view/689>

IASC Foundation Publishes Free Training Material for IFRS for SMEs

The International Accounting Standards Committee Foundation (IASC Foundation) today published the first part of its comprehensive set of training materials for the IFRS for SMEs. The free-to-download training material forms part of a range of initiatives undertaken by the IASC Foundation and the International Accounting Standards Board (IASB) to support the widespread adoption of the IFRS for SMEs.

The IFRS for SMEs was published by the IASB in July 2009 following an extensive development programme, including widespread consultation with interested parties. The standard is designed for use by small and medium-sized entities (SMEs), which are estimated to constitute more than 95 per cent of all companies.

The training material is designed to assist companies and accounting practitioners in applying the standard. It will also assist educators in teaching how to apply the IFRS for SMEs. Once completed, the training material will comprise 35 separate modules—one for each section of the IFRS for SMEs. The first twelve modules are now available for download from the IASB website (<http://www.iasb.org/IFRS+for+SMEs/Training+material.htm>). The remaining modules will be published in the course of this year as they are completed. Each module guides the learner through the official text, develops the learner's understanding of the requirements through the use of examples, and points out where significant judgements are required. It also includes questions designed to test the learner's knowledge of the requirements as well as case studies to develop the learner's ability to apply the IFRS for SMEs.

The training material is part of a range of measures taken by the IASC Foundation and the IASB to support and facilitate the implementation of the IFRS for SMEs around the world. In particular:

(a) The IASB developed implementation guidance to accompany the IFRS for SMEs, consisting of illustrative financial statements and a presentation and disclosure checklist.

(b) This year, in co operation with regional professional associations and the world's development agencies, the IASC Foundation will begin a series of regional 'train the trainers' workshops. These workshops will focus on building capacity for the implementation of the IFRS for SMEs, particularly in developing and emerging economies. The first series of workshops, which has been organised jointly with the Confederation of Asian Pacific Accountants, will take place in India and Malaysia in January 2010. Further workshops are being planned jointly with regional professional associations in Africa, the Caribbean and elsewhere.

<http://www.iasb.org/News/Press+Releases/IFRS+for+SMEs+training+material+launch.htm>

IAASB Staff Issues Q&As to Raise Awareness of XBRL Uses in Business Reporting

Recognizing the growing international use of Extensible Business Reporting Language (XBRL)--a language for the electronic communication of business and financial data that is changing business reporting around the world--the staff of the International Auditing and Assurance Standards Board (IAASB) has developed a new question-and-answer publication. It is designed

to raise awareness about how XBRL-tagged data is prepared and how it may affect financial reporting.

Entitled *XBRL: The Emerging Landscape*, the publication explains that the IAASB's current International Standards on Auditing (ISAs) were not developed with XBRL in mind and, accordingly, do not require auditors to perform procedures on XBRL-tagged data as part of a financial statement audit. It clarifies how XBRL may lead to a demand for various types of assurance and related services engagements, and describes the scope of the IAASB's planned consultations to determine whether to develop a new international pronouncement addressing XBRL.

"As more and more financial authorities begin to require or permit entities to provide financial information in XBRL, now is the time to help educate users about some XBRL fundamentals, and for the IAASB to explore whether and how a related international standard might help address assurance needs," says James Gunn, IAASB Technical Director. "A number of organizations are involved in XBRL initiatives and we look forward to hearing the viewpoints of preparers, users, regulators, national standard-setters, auditors, and others on this important topic," adds Mr. Gunn.

The publication is available to download free of charge from the IAASB section of IFAC's Publications and Resources site: web.ifac.org/publications.

<http://www.ifac.org/MediaCenter/?q=node/view/692>

IPSASB Publishes Three New Standards on Financial Instruments

The International Public Sector Accounting Standards Board (IPSASB) has published three new standards that cover all aspects of the accounting for and disclosure of financial instruments: International Public Sector Accounting Standard (IPSAS) 28, *Financial Instruments: Presentation*; IPSAS 29, *Financial Instruments: Recognition and Measurement*; and IPSAS 30, *Financial Instruments: Disclosures*. They fill a significant gap in the IPSASB literature.

"These new IPSASs provide a coherent set of requirements that enhance accountability for financial instruments in the public sector; this need was reinforced by the global financial crisis, and the scale and range of interventions made by governments," states Andreas Bergmann, who became Chair of the IPSASB on January 1, 2010.

The three new IPSASs are primarily drawn from the International Accounting Standards Board's standards, but address a number of public sector-specific issues:

- IPSAS 28, *Financial Instruments: Presentation*, primarily draws on IAS 32 and establishes principles for presenting financial instruments as liabilities or equity, and for offsetting financial assets and financial liabilities.
- IPSAS 29, *Financial Instruments: Recognition and Measurement*, primarily draws on IAS 39, establishing principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items.
- IPSAS 30, *Financial Instruments: Disclosures*, draws on IFRS 7 and requires disclosures for the types of loans described in IPSAS 29. It enables users to evaluate: the significance of the financial instruments in the entity's financial position and performance; the nature and extent of risks arising from financial instruments to which the entity is exposed; and how those risks are managed.

These IPSASs address some key public sector issues, including financial guarantee contracts provided for nil or nominal consideration and concessionary loans.

- *Financial guarantee contracts provided for nil or nominal consideration* have been a feature of government interventions during the global crisis--often, they are for very large amounts and could not be provided by private sector guarantors. IPSAS 29 provides guidance on the accounting treatment of such guarantees, both at initial recognition and subsequently.
- *Concessionary loans* are granted or received at below market terms, often for social policy objectives. IPSAS 29 provides guidance on the determination of fair value. It also addresses the treatment of the difference between the fair value of a loan and the loan proceeds. IPSAS 30 requires disclosures relating to such loans.

"The IPSASB recognizes the need to closely monitor global developments in the accounting for financial instruments and to evaluate such changes promptly in a public sector context," says Mr. Bergmann, adding that, together with the soon-to-be-issued IPSAS on intangible assets, IPSASs 28-30 represent the substantial attainment of IPSAS convergence with IFRSs (dated December 2008).

IPSASs 28-30 are available to download free of charge from the IPSASB section of IFAC's Publications and Resources site (web.ifac.org/publications). 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/693>

IMF Chief Says Asia May Need Capital Controls

The IMF chief said Asia may need to erect temporary capital controls, warning of the potential for new economic bubbles as speculative money floods into the region.

Dominique Strauss-Kahn said the global economy looked on course to beat the 3.1 percent growth forecast currently expected by the International Monetary Fund for 2010, as a post-crisis recovery accelerates.

Speaking in Hong Kong, the IMF managing director also reiterated his call for China to boost the value of its currency, the yuan, which critics say is kept artificially low to boost Chinese exports.

There is broad concern about the influx of foreign money pouring into Asia - which has sent property prices rocketing in Hong Kong, Singapore and mainland China - as the region leads the recovery.

Strauss-Kahn said the cash flowing into Asia was in stark contrast to the global financial crisis when the fear was of money drying up.

"Understandably, however, policymakers in recipient countries are concerned now with how to manage these flows - their impact on exchange rates, domestic demand, financial stability - and the danger of asset bubbles," he said.

Strauss-Kahn said options to discourage the inflow included cutting interest rates, accumulating reserves or tightening fiscal policy.

He added: "Capital controls can also play a role, particularly where the surge in capital flows is expected to be temporary, or where exchange rate overshooting is a real danger.

"As long as it's temporary, it may be the only way" to ward off a bubble, Strauss-Kahn told the Asian Financial Forum, a gathering of political and business leaders.

And in a veiled comment on China, he said: "In many countries, exchange-rate appreciation should be the key response - especially in those where the exchange rate is undervalued."

In a statement after his speech on Wednesday, Strauss-Kahn said he had told Hong Kong officials that money pouring into the former British colony "could lead to rapid credit growth that in turn unduly drives up asset prices and creates macroeconomic volatility."

Malaysia was ridiculed by financial institutions and foreign governments in 1998 when it became the first crisis-hit Asian country to roll out capital controls to protect its financial markets and collapsing currency.

But the measures, including pegging the ringgit to the dollar and barring investors from taking money out of Malaysia, were later hailed by the IMF and other free-market proponents as an effective tool against speculation.

Economies worldwide went into a tailspin in late 2008 when credit dried up due largely to the collapse of a US property bubble.

But Strauss-Kahn said some emerging economies could begin exiting stimulus programmes sooner than rich countries, with world growth likely to outstrip the IMF's forecast figure of 3.1 percent this year.

Excluding Japan, Asia may expand by more than seven percent, the IMF boss said.

He again dismissed fears of a "double-dip" recession for the world economy, but said the pace of recovery had been uneven with Asia bouncing back faster than the rest of the world.

The region must also look at boosting domestic demand to cut its reliance on foreign consumers, especially in the hard-hit United States, he said.

Strauss-Kahn said world leaders should press on with financial reforms to prevent a repeat of last year's credit crisis, including better regulation and oversight of the banking sector.

"We need reform and we need political will," he said.

"There is still a lot to do... My concern is that in six to 12 months, everybody will be back to business as usual and will have forgotten the lessons of the financial crisis."

http://www.channelnewsasia.com/stories/afp_asiapacific_business/view/1031960/1/.html

India to Fast-Track Talks to Sew Up ASEAN Services Trade Pact

India will try to expedite negotiations on opening up trade in services with the 10-member ASEAN at a senior officials meeting next week in Jakarta. The feasibility of the August-end deadline for concluding the talk, which is expected to provide greater opportunity to Indian professionals to travel and work in South-East Asia, will also be judged at the meet, a government official has said.

"This will be the first meeting on services after the Free Trade Agreement in goods became operational this month," an official, who did not wish to be named, told ET.

The ASEAN secretariat, which is compiling requests from ASEAN countries for opening up of various services sectors in India, is expected to present the requests list at the meeting beginning on February 2. India has already sent its requests to the ASEAN members.

The services negotiations are taking place on a request-offer basis, wherein both sides make requests for the openings they seek and offers are made by the receiving country based on the requests.

According to a report by industry body CII, the services part of the India-ASEAN FTA is crucial as India seeks market access for its IT, ITES, health, education and other services in ASEAN with its rapidly growing middle-class. The ASEAN market is very important for India as the region is a net importer of services and imported over \$180 billion worth of services in 2008. Services sector contributes over 55% to India's gross domestic product (GDP).

While the India-ASEAN FTA in goods — which will allow duty-free trade in more than 4,000 goods in a phased manner — is operational since the beginning of January, the agreement on services and investment is still being negotiated.

Trade ministers from India and the ASEAN countries, which include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Vietnam, Thailand, Singapore, had decided last year that services and investment should be made part of the bilateral agreement by August 2010. "We will get a clear idea about the feasibility of the August deadline when we meet next week and see how prepared the ASEAN countries are for speeding up the negotiations," the official said.

India has made requests in a number of areas including teaching, nursing, architecture, chartered accountancy and medicine as it has a large number of English speaking professionals in these areas who can gain from job opportunities in the ASEAN region. India is also keen on expanding its telecom, IT, tourism and banking network in the ASEAN countries.

ASEAN countries, on the other hand, are looking at more openings in the area of tourism. The more economically advanced members like Singapore, Thailand and Malaysia are also keen on liberalisation of financial services like banking and insurance.

http://www.bilaterals.org/article.php3?id_article=16680

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.