



# Monthly International News

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### **Global Accountancy Leaders Support IFAC Focus on SMEs and Their Financial Advisors**

Global accountancy leaders support the International Federation of Accountants' (IFAC) recommendations to intensify its efforts to strengthen small- and medium-sized enterprises (SMEs) and accounting practices (SMPs), IFAC announced today.

IFAC recently convened the chief executives of more than 40 accountancy organizations to discuss how to further alleviate the challenges arising from the recent global financial crisis--also identified in IFAC's 2009 Global Leadership Survey.

"Small- and medium-sized businesses around the world, and the accounting practices that serve

them, are struggling to recover from the global financial crisis," said IFAC President Robert Bunting. "IFAC and its member organizations must continue to take the lead in addressing the challenges facing SMEs and SMPs, including the need to avoid over-regulation."

The following areas were at the top of the list for the chief executives who attended IFAC's annual meeting:

- Expand monitoring of global regulatory reform to ensure its suitability for SMEs and SMPs
- Increase the visibility and voice of SMEs and SMPs
- Collaborate with IFAC members to develop guides and resources to provide practical assistance to SMPs

The chief executives also agreed that IFAC should consider how to increase the participation of SMEs and SMPs in its standard-setting activities.

The chief executives backed IFAC's proposal to increase emphasis on sustainability reporting and corporate governance-related matters in its priorities for future action.

IFAC will take a stronger role in urging businesses to integrate sustainability throughout the whole of an organization's decision-making processes. The chief executives supported IFAC's co-operative work with the Prince of Wales' Accounting for Sustainability Project and its development of an international connected reporting committee to advance decision making and reporting on sustainability.

The chief executives agreed corporate governance was essential to effective financial reform and that IFAC should press for the implementation of good corporate governance principles, both in the private and public sectors. The accountancy profession's support for national financial frameworks that embrace corporate governance will be discussed at a joint conference hosted by IFAC and the United Nations Conference on Trade and Development in April in Geneva.

Other topics discussed in the chief executives' meeting included the issues facing the profession in developing and emerging economies and actions to reinforce the invaluable role of professional accountants in business.

The input received from the chief executives will be considered by the IFAC Board as it develops its strategic plan for 2011-2014.

<http://www.ifac.org/MediaCenter/?q=node/view/699>

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## **IASB Foundation Publishes Second Batch of Training Material for the IFRS for SMEs**

The International Accounting Standards Committee (IASB) Foundation published today the second batch of training material for the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)*. The training material is designed to assist companies and accounting practitioners in applying the IFRS. It will also assist educators in teaching how to apply the *IFRS for SMEs*. The remaining material will be published in the course of this year as it is completed.

The free-to-download training material forms part of a range of initiatives undertaken by the IASB Foundation and the International Accounting Standards Board to support the widespread adoption of the *IFRS for SMEs*. The training material is available for download from <http://go.iasb.org/smetraining>.

### **Train-the-trainers programme**

As part of these activities the IASC Foundation recently held Train-the-Trainers workshops in India and Malaysia jointly with the Confederation of Asian and Pacific Accountants (CAPA). The workshops support the development of local trainers to teach implementation of the *IFRS for SMEs* within their own jurisdictions.

The next IASC Foundation workshop will be held in Tanzania on 11–13 May 2010, hosted jointly with the Eastern Central and Southern African Federation of Accountants (ECSAFA). Similar regional workshops will be held in the Middle East, Latin America and the Caribbean later in 2010.

### ***IFRS for SMEs* email alerts**

The IASC Foundation has today also introduced an *IFRS for SMEs* email alert to allow interested parties to keep up to date on developments related to the standard. Registration is free.

To subscribe to the email alert, click here: <http://www.iasb.org/IASB+Registration.htm>

<http://www.iasb.org/News/Press+Releases/secondIFRSforSMEstrainingmaterial.htm>

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### **IFAC Launches New and Improved Publications and Resources Website**

The International Federation of Accountants (IFAC) has launched a newly redesigned and expanded Publications and Resources website, featuring over 200 titles developed by IFAC and its standard-setting boards and committees. This new site improves the user experience through enhanced navigation and features, including links to recommended publications based on user's selection.

The website includes the following broad range of pronouncements and resources:

- IFAC policy position papers and special reports;
- International standards on auditing and assurance, accounting education, ethics, and public sector financial reporting developed by IFAC's independent standard-setting boards;
- Good practice guides on corporate governance, sustainability, and other topics of interest to professional accountants in business; and
- Videos, presentation slides, guides to assist small and medium accounting practices, and other tools and resources to facilitate the adoption and implementation of international standards.

Visitors will experience enhanced functionality and interactivity with the addition of a search engine to facilitate user search and retrieval of specific resources of interest. Located on the homepage, a listing of the most recent and most popular publications, along with links to recommended publications, helps professional accountants find publications that are relevant to the work they do.

Explore all the new features and download IFAC publications and resources for free by visiting the website at [web.ifac.org/publications](http://web.ifac.org/publications).

<http://www.ifac.org/MediaCenter/?q=node/view/700>

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## **IASB and FASB Publish Proposals on Reporting Entity Concept**

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) today published for public comment an exposure draft on the reporting entity concept.

The proposals form part of a joint project to develop a common and improved conceptual framework that provides the basis for developing future accounting standards.

A discussion paper on the reporting entity concept was published in May 2008. Respondents broadly supported the boards' preliminary views. In response to these comments the exposure draft proposes what a reporting entity is and when an entity controls another entity.

Comments on the exposure draft are invited by 16 July 2010.

To access the exposure draft *Conceptual Framework for Financial Reporting: The Reporting Entity* go to the [Open to Comment](#) page or visit [www.fasb.org](http://www.fasb.org).

<http://www.iasb.org/News/Press+Releases/ReportingEntityProposals.htm>

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## **IAESB Issues Consultation Paper on Competence Requirements for Audit Professionals**

The International Accounting Education Standards Board (IAESB) will be revising International Education Standard (IES) 8, *Competence Requirements for Audit Professionals*, and strongly encourages organizations and individuals to comment on proposed revisions. Comments can be submitted through the IAESB's newly issued Consultation Paper, which can be found online at [www.ifac.org/Guidance/EXD-Outstanding.php](http://www.ifac.org/Guidance/EXD-Outstanding.php).

IES 8 is one of eight standards that addresses the principles of learning and development for professional accountants. The IESs prescribe good practice in learning and development for professional accountants and should be incorporated into the educational requirements of IFAC's membership body, which is comprised of professional accountancy institutes from around the world. The IESs are also considered relevant to stakeholders interested in the education and development of professional accountants and audit professionals, such as public accounting firms, regulators, and employers.

The IAESB is seeking guidance on a number of issues, including IES 8's target audience, the knowledge and skills required to work as a competent audit professional, and the advanced-level competences required by audit professionals.

"We want to make IES 8 clearer and more readable, and reduce ambiguity about the requirements imposed on IFAC member bodies," said Mark Allison, IAESB chair. "In revising IES 8 and developing implementation guidance for this standard, we intend to ensure consistent application, assist in its adoption, and facilitate international implementation."

The IAESB's objective in revising IES 8 is to:

- Implement a revised structure that clearly sets out the objective of the IES;
- Clarify obligations imposed on IFAC member bodies;
- Eliminate ambiguity about the requirements;
- Improve the explanation and guidance to support consistent application of IES requirements; and
- Ensure consistency with the other IESs.

The IAESB 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/701>

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## **IASB Expects Accounting Standards to Stabilize in 2011**

International Accounting Standards Board Chairman Sir David Tweedie told a group of European finance officials that the IASB and the U.S. Financial Accounting Standards Board are on track to converge their standards by June 2011, after which there will be a period of stability in accounting standards.

In an address during a meeting of the Economic and Financial Affairs Council of the European Union, or ECOFIN, Tweedie reported on the IASB's progress on convergence and how the IASB is addressing European concerns on financial instruments accounting. Tweedie noted that the IASB and FASB have been meeting on a monthly basis since November to meet the goal expressed by G-20 leaders that they produce a single globally accepted set of accounting standards by June 2011.

The two boards have been hashing out differences between U.S. GAAP and International Financial Reporting Standards in areas such as consolidations, securitizations, pensions, leases and revenue recognition. They will be issuing quarterly reports on their progress. "In our soon-to-be-published report, the boards will state that despite the challenging technical issues to resolve, we remain on schedule to achieve the June 2011 target," said Tweedie.

He noted that the U.S. Securities and Exchange Commission recently reaffirmed the U.S. commitment to make a decision in 2011 to adopt IFRS by 2015 or 2016, and that the SEC emphasized the importance of convergence in reducing the cost of the transition.

"The IASB will do its part to ensure that IFRS is accepted globally," said Tweedie. "It is already used in more than 115 countries."

Tweedie added that a "second major wave of IFRS adoption" had begun this year and would continue through 2012, with Brazil, India, South Korea, Canada, Japan, Malaysia, Mexico, Argentina and Indonesia among the countries in the process of IFRS adoption. However, he promised a period of stability following the convergence efforts with the U.S.

"We do not want IFRS to be a constantly moving target," he said. "By completing our convergence work in 2011, the IASB will provide a period of stability of accounting standards for newly adopting countries, similar to the 'stable platform' given to European companies and investors between 2004 and 2009."

Tweedie also addressed the concerns of the European financial community with the IFRS 9 standards for financial instruments.

"A number of countries, including Japan, Brazil, China (including Hong Kong), South Africa, and Australia, have taken steps to permit or even require the use of the new IFRS 9," he said. "Similarly, EU stakeholder groups, including some major banking institutions in Europe, organizations representing the investment community across Europe and elsewhere, and national standard-setters, have called for the endorsement of IFRS 9. At the same time, the IASB

understands that, despite the earlier request for speed in completing this phase of the project, the European Commission now wishes to follow the normal endorsement procedure for IFRS 9.”

One reason for caution in Europe has been worries about an expansion in fair value accounting standards. Tweedie tried to reassure the European financial officials on this score. “For a traditional bank, being one that takes deposits and lends money to customers that it holds to collect principal and interest, we expect IFRS 9 to result in fewer rather than more items being measured at fair value,” he said.

Tweedie acknowledged that FASB might differ in its approach to fair value, but he also tried to offer reassurances on this point. “We appreciate the concern of this Council and other stakeholders internationally that we and the FASB may arrive at different conclusions when financial instruments should be measured at fair value,” he said. “Both the FASB and the IASB have agreed on common principles to help us to achieve a common standard. That is our objective. At the same time, the IASB is conscious of the strongly held view of investors and other stakeholders internationally that a combination of cost-based and fair-value accounting remains appropriate for financial instruments.”

FASB has been taking a tougher approach on the fair value measurement of loans and loan losses than the IASB in some of its proposed standards.

<http://www.webcpa.com/news/IASB-Expects-Accounting-Standards-Stabilize-2011-53607-1.html>

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### **Taiwan Seeks Closer Economic Ties with ASEAN**

Taiwan is looking to negotiate a free-trade agreement with ASEAN as soon as it accomplishes its historic economic partnership with China, slated to be signed this June, say official and scholars.

Negotiations for the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China have been earmarked to reduce the import tariff of 500 items and open access to hundreds of products that are currently banned from entering each other’s countries.

Andrew Hsia, Taipei Economic and Trade Office (TETO) chief in Jakarta, said once the ECFA concluded, it would open the opportunity for similar trade deals with member states of ASEAN. Singapore is the first ASEAN country that has given a nod to the proposal.

“Our strongest economic ties in ASEAN is with Vietnam and Singapore, while Indonesia trails behind... We expect to boost trade and investment in Indonesia through an arrangement similar to the ECFA,” he said.

He said both Indonesia and Taiwan had potential to improve economic relations to a level above Vietnam but it had not been realized because of diplomatic barriers.

Indonesia and Taiwan do not have diplomatic relations because of Jakarta’s support for a one-China policy, which asserts that Taiwan is part of China.

Chen I-Hsin, vice president of the Taipei-based Foundation on Asia-Pacific Peace Studies, said the proposal of a free trade agreement with ASEAN was not meant to interfere with Jakarta’s one-China policy, currently embraced by around 170 countries.

“We have institutionalized our trade with China through the ECFA and we are looking for a similar arrangement with ASEAN countries, which have become important trade partners,” said Chen.

Chen is one of three scholars from Taiwan who visited Jakarta on Monday to research bilateral issues. They met with researchers from several think-tanks including the Centre for Strategic and International Studies and the Indonesian Resilience Institute (Lemhanas).

“Indonesia can maintain its one China policy and even include that stance in the future trade agreement. We are looking for an economic integration, not political recognition,” said Chen.

Chuang Yih-Chyi, an economic professor with Taiwan’s National Chengchi University, said a trade agreement between Taiwan and ASEAN would eventually benefit China and ASEAN as well because it would ensure a more prosperous region with “a complete supply chain”.

“The marginalization of Taiwan is not in the common interest of Asian economies. We have to consolidate Asian economic integration, including with Taiwan,” he said.

Taiwan’s economy is one of the leading economies in Asia. Its trade with China stood at US\$82 billion in 2008 in favor of Taiwan.

China and ASEAN are the two largest trading partners of Taiwan. Taiwan trade with ASEAN reached \$70 billion in 2008 while its trade with Indonesia reached \$10.85 billion in 2008.

Francis Yi-Hua Kan, executive director for Taipei’s European Union Center, said foreign countries had increasingly eased Taiwan from isolation in international forums after Taiwanese President Ma Ying-jeou promoted its diplomatic truce to maintain political balance with its ally, the US, and with China.

He pointed to Taiwan’s admission to the World Health Assembly as the international community’s increasing recognition of the country.

“The truce has eased unnecessary rivalry between China and Taiwan for international recognition,” Kan said.

The truce also paves the way for other countries to increase economic relations with Taiwan, he said.

[http://www.bilaterals.org/article.php3?id\\_article=17013](http://www.bilaterals.org/article.php3?id_article=17013)

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## **IESBA Seeks Views on Its Strategy and Work Plan for 2010–2012**

The International Ethics Standards Board for Accountants (IESBA) has released for comment an exposure draft (ED) setting out its proposed strategy and work plan for the next three years. The proposed strategy and work plan focuses on the board's new projects and activities, which were selected based on the results of an IESBA-commissioned survey of interested parties.

The work plan for 2010-2012 includes the IESBA's intention to complete two high-priority projects from its previous work plan:

- *Conflicts of Interest*. The IESBA will expand existing guidance for professional accountants, whatever their role, who face conflicts of interest. This will include the

types of situations that give rise to conflicts, the mechanisms that can serve as safeguards in a conflict situation, and ways to manage conflicts; and

- *Responding to Suspected Fraud or Illegal Acts.* The IESBA will provide guidance for all professional accountants on how to respond when encountering a suspected fraud or illegal act. This will include the threshold for taking action, the types of actions that may be taken, the process for responding, and the timing of any disclosure.

The IESBA also plans to begin a project that addresses the application of the "related entity" definition in the IESBA's *Code of Ethics for Professional Accountants* (the Code) to audits of collective investment vehicles.

In addition to its standard-setting activities, the IESBA plans to continue to assess what additional material or activities would be useful to support those who are adopting and implementing the Code. To further its objective of facilitating convergence of international and national ethical standards-including independence requirements-the IESBA will liaise closely with national standard setters and regulators to identify and understand their perspectives on convergence and to seek their views on how the Code can be a catalyst to achieve greater convergence.

"We listened carefully to our stakeholders as we developed the draft strategic plan," states Ken Dakdduk, IESBA Chair. "Our focus for the next three years, therefore, will be to build on the strong base established by the Code, which we revised in July 2009, and to significantly increase our efforts to promote and assist with its implementation and adoption."

<http://www.ifac.org/MediaCenter/?q=node/view/704>

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## **PCAOB Proposes Rules on Audit Committee Communications**

The Public Company Accounting Oversight Board has proposed an auditing standard on "Communications with Audit Committees," and a series of related amendments to interim standards.

The proposal addresses requirements for auditors to communicate with audit committees of public company boards of directors, and considers a number of factors, including the importance of accounting judgments and estimates in financial reporting.

"The proposed standard on audit committee communications is intended to enhance the relevance and effectiveness of the communications between an auditor and audit committee throughout the course of an engagement," said PCAOB acting chairman Daniel L. Goelzer in a statement.

The proposed standard includes a requirement for auditors to establish a mutual understanding of the terms of the audit engagement with the audit committee and to document that understanding in an engagement letter.

The proposal also includes requirements relating to:

- Communication of an overview of the audit strategy, including a discussion of significant risks, the use of the internal audit function; and the roles, responsibilities, and location of firms participating in the audit;
- Communication regarding critical accounting polices, practices, and estimates;
- Communication regarding the auditor's evaluation of a company's ability to continue as a going concern; and,
- Evaluation by the auditor of the adequacy of the two-way communications.

Comments on the proposed standard and amendments are due May 27, 2010. For more information, visit [www.pcaobus.org](http://www.pcaobus.org).

<http://www.webcpa.com/news/PCAOB-Proposes-Rules-Audit-Committee-Communications-53713-1.html>

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