



# The Institute of Chartered Accountants of Guyana

P.O. Box 101055 Georgetown Guyana • Tel: (592) 223-7547

## Welcome to June 2013 Newsletter

We welcome you to the June 2013 newsletter of the Institute of Chartered Accountants of Guyana in which we highlight developments over the past year in accounting, auditing, tax and other relevant areas.

As always, we hope you find the information useful and would welcome suggestions and contributions from members for future publications.

Khalil Alli  
Editor

## New Accounting Issues

### Revised Exposure Draft – Insurance Contracts

During June 2013 the IASB released a revised exposure draft on insurance contracts.

This latest publication reflects more than a decade of attention by the IASB to this complex industry. In 2005 an interim standard – IFRS 4 – was issued with the understanding that a fuller standard would follow. In 2010 an exposure draft of a fuller standard was published for comment. As a result of the comments received to that exposure draft it was decided to effect amendments and re-expose the exposure draft.

The comment period for the revised exposure draft is up to 25 October 2013.

### Exposure Draft - Leases

During May 2013 the IASB issued an exposure draft on accounting for leases.

The proposals are aimed at providing greater clarity on the assets and liabilities arising on lease arrangements. It was felt that the existing leases standard did not adequately necessitate such disclosure particularly in the case of operating

leases. Even though concern was more focused on lessee accounting, the IASB also examined lessor accounting given the concurrent review of revenue recognition.

The comment period for the exposure draft is up to 13 September 2013.

### Exposure Draft – Expected Credit Losses

During March 2013 the IASB published an exposure draft on expected credit losses, representing the second part of the IFRS 9 development.

The proposals target the “incurred loss” model of IAS 39 relative to the impairment of financial assets. It proposes an “expected loss” approach to impairment which will require that consideration be given to reasonable and supportable forecasts that are expected to affect collectability of a financial asset, in addition to past events and current conditions.

The comment period for the exposure draft closed on 05 July 2013.

### Exposure Draft – Regulatory Deferral Accounts

During April 2013 the IASB issued an exposure draft on regulatory deferral accounts.

The proposed standard is aimed at sectors that are subject to rate regulation e.g. utilities. The IASB has returned the project on Rate-regulated Activities to its agenda but recognizing the time required to fully complete this project, the IASB is proposing this interim standard that will essentially preserve the current treatment of regulatory deferral accounts in accordance with national GAAP.

The comment period for the exposure draft is up to 04 September 2013.



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## **IFRIC 21 - Levies**

During May 2013 the IASB issued an interpretation on the accounting for levies imposed by governments. The key issue was when an entity should recognise a liability to pay a levy.

Applying IAS 37, the interpretation concludes that the obligating event in the context of a government levy is the performance of the activity described in the relevant legislation that triggers payment of the levy.

The interpretation is effective for annual periods beginning on or after 01 January 2014.

## **Guidance for Micro-sized Entities**

During June 2013 the IASB published guidance on the application of the IFRS for SMEs to micro-sized entities. The guidance material is considered complementary to the IFRS for SMEs, and is not intended to be a separate standard. The guidance does not define a micro-sized entity but sets out typical characteristics of such an entity.

## **[New auditing issues](#)**

### **Revised Standard on Review Engagements**

During September 2012 the IAASB published the International Standard on Review Engagements 2400 (Revised) - *Engagements to Review Historical Financial Statements*.

The focus on this service area is reflective on the growing number of review engagements that are being requested in place of audits, as thresholds are increased. The standard aims to provide a degree of assurance over the financial statements in a cost effective manner, while clearly distinguishing the exercise from an audit.

The revised standard is applicable for reviews of financial statements for periods ending on or after 31 December 2013.

### **Revised Standard on using the work of Internal Auditors**

In March 2013 the IAASB published a revised standard on using the work of internal auditors (representing a revised ISA 610).

The standard provides revised guidance on using the work of internal audit to obtain audit evidence. It also now introduces guidance when using internal auditors to provide “direct assistance” under the direction, supervision and review of the external auditor.

The revised standard is applicable for audits of financial statements for periods ending on or after 15 December 2013, except for the “direct assistance” guidance which applies for periods ending on or after 15 December 2014.

### **Exposure Draft - Other Information Accompanying Financial Statements**

During November 2012 the IAASB published an exposure draft on the auditor’s responsibility relating to other information in documents containing or accompanying financial statements (representing a revised ISA 720).

The proposals extend the auditor’s role from reading other information for consistency with the audited financial statements to reading the other information for consistency with the auditor’s understanding of the environment and entity. Additional reporting responsibilities are also being proposed to enhance the understanding the role of the auditor with respect to the other information.

The comment period for the exposure draft closed on 14 March 2013.



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## **Exposure Draft on Reporting on Audited Financial Statements**

During July 2013 the IAASB published an exposure draft on reporting on audited financial statements. The key proposals are:

- a) Prominent placement of auditor's opinion in the report;
- b) Auditor reporting on going concern;
- c) Auditor reporting on other information containing or accompanying the financial statements;
- d) An explicit statement of independence;
- e) Improved explanation of role of auditor;
- f) Auditor reporting on "key audit matters" and disclosure of name of audit partner (for audits of listed entities).

The comment period for the revised exposure draft is up to 22 November 2013.

## **New Ethics Issues**

### **Changes to the Code of Ethics**

During March 2013 the IESBA issued various changes to the Code of Ethics addressing the following aspects: conflicts of interest, breach of a requirement and expanded definition of "engagement team".

The revisions with respect to conflicts of interest are aimed at providing more specific requirements to apply and more comprehensive guidance on handling conflicts. The revisions are aimed at both accountants in practice and those in business. These revisions are effective on 01 July 2014.

The revisions with respect to a breach of a requirement now provide stronger guidance on handling an independence breach. These revisions are effective on 01 April 2014.

Finally the definition of engagement team has been expanded to include internal auditors that provide "direct assistance". These revisions are effective for audits of financial statements for periods ending on or after 15 December 2014.

### **Exposure Draft – Responding to Illegal Acts**

During August 2012 the IESBA issued an exposure draft on responding to a suspected illegal act.

The proposal addresses the circumstances when a professional accountant is allowed to breach confidentiality requirements and disclose suspicions to the appropriate authorities of illegal acts committed by a client or an employer.

The comment period for the exposure draft closed on 15 December 2012.

## **New Education Issues**

The IAESB is presently undertaking a Clarity Project to revise all eight of the education standards in publication.

Revised standards have already been published for the following standards:

- IES 1 Entry Requirements
- IES 5 Initial Professional Development - Practical Experience
- IES 6 Assessment of Professional Competence
- IES 7 Continuing Professional Development

Exposure drafts of revised standards have been issued for the following standards:

- IES2 Initial Professional Development - Technical Competence
- IES 3 Initial Professional Development - Professional Skills



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- IES 4 Initial Professional Development - Professional Values, Ethics and Attitudes
- IES 8 Professional Development for Engagement Partners responsible for audits of financial statements

## IES 7 - Continuing Professional Development

This standard states that member bodies (like ICAG) shall require that all professional accountants undertake CPD.

The standard recognises three approaches to the measurement of CPD undertaken:

- a) Output-based
- b) Input-based
- c) Combination of the two

In an output-based approach the professional accountant is required to submit evidence of appropriate professional competence verified by a competent source and measured using a valid competence assessment method.

In an input-based approach the professional accountant is required to complete at least 120 hours of relevant professional development activity in each rolling 3 years, of which 60 hours must be verifiable and at least 20 hours must be undertaken in each year.

Member bodies are required to monitor compliance by professional accountants and impose sanctions where necessary.

The revised IES is applicable from 01 January 2014.

### **Exposure Draft - Professional Development for Engagement Partner responsible for audits of financial statements**

This proposed standard sets out minimum professional development required of

accountants to become engagement partners. It also specifies requirements for those individuals already serving as engagement partners.

The proposed standard sets minimum levels of proficiency that should be attained by an engagement partner in the following areas:

- a) Technical competence
- b) Professional skills
- c) Professional values, ethics and attitudes

Each area has a number of learning outcomes that should be achieved. IFAC member bodies (such as the ICAG) will have several responsibilities under this standard including:

- a) Regular review of the professional development programs
- b) Prescription of the sufficiency of, and the environment within which, practical experience is to be obtained
- c) Establish appropriate assessment activities.
- d) Require engagement partners to undertake CPD relevant to their responsibilities.

The comment period for the exposure draft closed on 11 December 2012.

### **New Tax Issues**

The Fiscal Enactments (Amendment) Act was assented to on 16 May 2013 and introduced the following measures:

- a) Reduction in the rate of income tax to 30 percent
- b) Mortgage interest relief
- c) Revisions to the net property bands for Property Tax
- d) Revision to the valuation base year for Property Tax



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## Editorial Information

The information contained within this publication should not be relied upon as professional guidance. No responsibility for any person acting as a result of any material in this publication can be accepted by the Institute or the Editor.

Comments can be sent to the Institute at 47 Main Street, Georgetown.