



## Welcome Remarks

Dear Reader,

The Institute of Chartered Accountants of Guyana is pleased to present its first quarterly newsletter for 2006. This publication is intended to keep members and registered students updated on developments in the areas of accounting, financial reporting and auditing, as well as on Institute matters.

We hope you find the information useful and would welcome suggestions on topics for future publications.

Khalil Alli  
Editor

## New Accounting Guidance

### IFRS 7 – Financial Instruments

The International Accounting Standards Board (IASB) issued International Financial Reporting Standard 7 (IFRS 7), *Financial Instruments: Disclosures*, in August 2005. The disclosures required by the Standard are designed to provide an understanding of the extent of financial instrument use by an entity, as well as any associated risks. Minimum disclosures on credit risk, liquidity risk and market risk are required. The Standard incorporates all previous disclosure requirements contained in International Accounting Standard 32 (IAS 32), *Financial Instruments: Disclosure and Presentation*, with some amendments. IFRS 7 is applicable for annual periods beginning on or after 01 January 2007.

Related amendments to the implementation guidance of IFRS 4, *Insurance Contracts*, were made and are also applicable for annual periods beginning on or after 01 January 2007.

### Amendment to IAS 1 – Capital Disclosures

An amendment to IAS 1 was published with IFRS 7 requiring entities to give greater disclosure on its capital. The amendment is applicable for annual periods beginning on or after 01 January 2007.

## Amendment to IAS 21 – Net Investment in a Foreign Operation

In December 2005 the IASB issued an amendment to IAS 21, *The Effect of Changes in Foreign Exchange Rates*. Previously IAS 21 required that exchange differences arising on loans that formed part of a reporting entity's net investment in a foreign operation to be recognized as a separate component of equity, once denominated in the functional currency of either party. The amendment allows for exchange differences on loans that form part of the net investment to be recognized in equity regardless of its currency denomination. The amendment is effective for annual periods beginning on or after 01 January 2006.

## Proposed Accounting Changes

### Amendment to IAS 1 – Revised Presentation

This exposure draft proposes various changes to the presentation of financial statements. One proposed change is the inclusion of a statement of financial position at the beginning of the comparative period along with the renaming of the *balance sheet* to *statement of financial position*. Another significant proposal is for all income and expenses to be shown separately from transactions with owners in their capacity as owners, and in either a single statement of recognized income and expense or in two statements. The deadline for comments is 17 July 2006.

### Exposure Draft 8 - Operating Segments

The exposure draft proposed that operating segments be identified on a basis similar to that used by the chief decision maker when allocating resources and assessing performance – the division of internal reports being a key indicator. This *management approach* to segment reporting is consistent with US GAAP. Also proposed was the presentation of reconciliations of total reportable segments amounts to the entity's figures. Greater segmental disclosure in interim reports was also proposed. The closing date for comments was 19 May 2006.



#### **Draft Interpretation - Interim Financial Reporting and Impairment**

The International Financial Reporting Interpretations Committee (IFRIC) issued a draft interpretation on impairment and interim financial reporting. It proposed that impairment losses arising on goodwill, investments in equity instruments and financial assets carried at cost, not be reversed if assessments at subsequent balance sheet dates reveal that the losses would not have been recognized, or that smaller losses would have been recognized. The closing date for comments was 31 March 2006.

#### **New Auditing Guidance**

##### **Revised ISA 230 - Audit Documentation**

The International Auditing and Assurance Standards Board (IAASB) issued International Standard of Auditing 230 (Revised) (ISA 230), *Audit Documentation*, in September 2005. The expanded Standard requires that audit documentation be prepared to allow an “*experienced auditor*”, with no previous connection with the audit, to understand the procedures performed, the results and evidence obtained, and the significant matters arising during the audits and the conclusions reached. Specific requirements are also included for the preparer and reviewer to be identified on audit documentation along with the date these tasks were completed. The Standard also requires that the final audit file be assembled on a timely basis after the date of the auditors’ report (60 days ordinarily). The Standard is effective for audits of financial information for periods beginning on or after 15 June 2006.

#### **Proposed Auditing Changes**

##### **Clarity Project**

In October 2005 the IAASB embarked on a project to improve the clarity of ISAs. The intention of the project is to develop ISAs which are:

- based on objectives;
- clarify the auditor’s obligations;
- written in unambiguous language; and
- structured to allow readability and understandability.

To illustrate the intended benefits of the clarity project revisions of the following four standards were proposed:

- ISA 240: The Auditor’s Responsibility to consider Fraud in an Audit of Financial Statements;
- ISA 300: Planning an Audit of Financial Statements;
- ISA 315: Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement; and
- ISA 330: The Auditor’s Procedures in Response to Assessed Risks.

The closing date for comments was 28 February 2006.

##### **ISA 550 - Related Parties**

In December 2005 the IAASB issued proposed changes to ISA 550, Related Parties. In the exposure draft greater emphasis is placed on the auditor to identify related party transactions not identified or disclosed by management. The closing date for comments was 30 April 2006.

#### **Institute Matters**

##### **Samuel F. Lashley**

It is with great regret that the Institute announces the passing of one of its long-serving members, Samuel F. Lashley. The Institute extends deepest condolences to his family.

#### **Editorial Information**

The Editor would like to acknowledge the contributions of Parmila Rammarine and Nadia Rampersaud to this publication.

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 216 Almond Street, Queenstown, Georgetown.