



# The Institute of Chartered Accountants of Guyana

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

## Welcome to March 2011 Newsletter

We welcome you to the March 2011 quarterly newsletter of the Institute of Chartered Accountants of Guyana in which we highlight developments over the period 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

### Proposals for Impairment Accounting

During January 2011 the IASB, in conjunction with the US FASB, issued proposals for the accounting of impairment of financial instruments. The IASB's proposals were published as a supplement to the original exposure draft on the subject issued in November 2009. The original exposure draft introduced the concept of an "expected loss" model versus the "incurred loss" model for impairment currently in place. The latter model was criticized for not reporting losses until a trigger event (e.g. default) occurred.

The supplemental proposals seek to address some of the difficulties identified with the original provisions. These corrective measures are described below.

- Credit portfolios are separated into a 'good' book and a 'bad' book, the latter comprising problematic loans. For the good book expected losses are recognised over time while for the bad book, expected losses are recognised immediately.

- To recognise the expected losses on the good book, a time-proportional approach would be adopted such that the allowance is calculated as a portion of the remaining lifetime of expected losses on the portfolio; the portion being determined on the basis of the age of the portfolio.
- A floor for expected losses on the good book based on actual expected losses for the foreseeable future is introduced.
- Separation of the calculation of interest rates from the recognition of expected losses - 'decoupling'.

The supplementary exposure draft was open for comment up to 01 April 2011.

### Balance Sheet Netting Arrangements

During January 2011 the IASB, in conjunction with the US FASB, issued proposals for a common approach to offsetting financial assets and financial liabilities. The proposals are that offsetting should only apply when the right to set-off is enforceable at all times, including in default and bankruptcy, and the ability to exercise this right is unconditional. The intention of the parties involved must be to settle the amounts due with a single payment or simultaneously.

The exposure draft was open for comment up to 28 April 2011.

### SME Draft Guidance

During February 2011 the SME Implementation Group of the IASB published for public comment draft guidance on the IFRS for SMEs. The guidance is in a question and answer form.

The draft document was open for comment up to 04 April 2011.



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## New Auditing Issue

### Audit Quality

During January 2011 the IAASB issued a publication on Audit Quality. It contains the IAASB's views on the perceptions of audit quality and also gives insights into its plans for further initiatives towards continued enhancement of standards.

## New Tax Issue

### Lower Tax Rates

Effective for the year of assessment 2012, the corporate tax rates for commercial and non-commercial companies (excluding telecommunications companies) are reduced to 40 percent and 30 percent respectively.

## Council News

At the annual general meeting held on 31 March 2011 the following persons were elected for the period 2011/12.

Colin Thompson	President
Chandradat Chintamani	Vice-president
Khemraj Goberdhan	Secretary
Gobardhan Resaul	Treasurer
Rameshwar Lal	Member
Ronald Alli	Member
Harryram Parmesar	Member
Vishwamint Ramnarine	Member

## 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.