



Welcome Remarks

In this quarter's newsletter we examine developments in accounting, auditing, tax and professional education that occurred in the period. Additionally we begin to explore significant aspects of the Value-Added Tax legislation which was implemented on 01 January 2007. Finally we look at the organisations responsible for development of the international accounting guidance that we are required to follow in Guyana.

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

Khalil Ali
Editor

New Accounting Issues

Exposure Draft: Amendments to IAS 24

The IASB published an exposure draft containing proposed amendments to the requirements of IAS 24, *Related Party Disclosures*. The proposed amendments are:

- IAS 24 disclosures shall not apply to transactions between state-owned entities unless influence exists in the relationship.
- Associates in a group structure shall be classified as related parties to subsidiaries in the group structure for the subsidiaries' individual financial statements.
- Associates of a person (as opposed to an entity) shall not be classified as related parties to each other in their individual financial statements.
- Entities which are controlled, jointly controlled or significantly influenced by key management personnel of another entity, shall reflect that other entity as a related party in their financial statements.

The closing date for comments on the exposure draft was 25 May 2007.

Exposure Draft: IFRS for Small and Medium-sized Entities

In February the IASB published a proposed IFRS for small and medium-sized entities. In resolving one of the most difficult issues faced in the SME accounting debate, the exposure draft proposes that only entities with no public accountability should apply the standard. Public accountability is expected of entities that have publicly-traded securities or those that hold assets in a fiduciary capacity (banks, insurance entities, securities brokers/dealers, pension funds, mutual funds or investment banking entities).

The draft SME standard is written in simpler language, and presented in a more concise manner, than the full IFRSs.

All topics dealt with by the full IFRSs are included in the SME standard. However, for some of the topics no guidance has been included in the SME standard except for references to the provisions of the full IFRS. Examples of such topics include: earnings per share, segment reporting, extractive industries, interim reporting and lessor accounting for finance leases.

Also, in instances where full IFRSs contain accounting policy options, the SME standard identifies a preferred option for SMEs, which is usually the simpler of those available. SMEs could still adopt the other policy option but only by applying the provisions of the full IFRS. Examples of preferred options include cost model for property, plant and equipment, cost model for investment property, expensing of borrowing costs and indirect method for cash flow presentation.

Finally the SME standard includes some simplifications of the requirements of the full IFRSs in relation to financial instruments measurement, goodwill impairment assessment, defined benefit obligation measurement and measurement of agricultural assets.

The IASB is inviting comments on the proposed standard before 01 October 2007. It also requests responses to eleven specific questions on the standard.



New Auditing Issues

Exposure Draft: Auditing Related Parties

In February the IAASB issued a draft revised standard on auditing related parties - ISA 550. The publication is the second exposure draft on the subject in recent years and addresses many of the issues raised by respondents to the first exposure draft.

The draft standard contains procedures to be carried out by an auditor to identify risks of material misstatement arising from related party relationships and transactions. Risks are considered significant where transactions are outside the normal course of business or where management makes an assertion in the financial statements that a related party transaction was carried out on an arm's length basis.

The draft standard also identifies procedures that the auditor should follow where risks of material misstatement are identified including where previously unidentified related party transactions are identified, where significant related party transactions are outside the normal course of business or where management asserts that a related party transaction is carried out on an arm's length basis.

The exposure draft is open for comment until 30 June 2007.

Exposure Draft - Going Concern

In February the IAASB published a proposed redrafted standard on going concern - ISA 570. The standard has been redrafted using the guidelines of the Clarity Project, the aim of which is to develop ISAs which are:

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

The closing date for comments on the exposure draft was 31 May 2007.

Taxation Issues

VAT - Import of Services

Section 9(1)(b) of the VAT Act requires that VAT be paid on services imported other than exempt imports. The VAT Act defines an import of services as the supply of services to a resident (a) by a non-resident or (b) by a resident from a business outside Guyana, to the extent that the services are utilised or consumed in Guyana, other than to make taxable supplies. Imported services are treated as exempt if they would be either zero-rated or exempt if supplied in Guyana.

Section 9(2)(c) of the Act requires that the VAT on services imported be paid by the recipient of the services in Guyana within twenty days of importation. An import declaration is to be submitted with payment.

Personal Income Tax Allowance

The Minister of Finance in the 2007 Budget Presentation announced an increase in the personal income tax allowance from \$300,000 to \$336,000 effective from 01 January 2007.

New Education Issue

The International Accounting Education Standards Board (IAESB) is a standard-setting body designated by, and operating independently under the auspices of, IFAC. The IAESB develops and issues in the public interest standards and guidelines on pre-qualification education, training of professional accountants, continuing professional education and development of accounting professionals. The IAESB issues International Education Standards (IESs), International Education Practice Statements (IEPSs) and International Education Papers for Professional Accountants (IEPs). IFAC Member Bodies, including the ICAG, are required to comply with IESs.



Exposure Draft - Practical Experience Requirements

In January 2007 the IAESB issued a proposed practice statement - *Practical Experience Requirements - Initial Professional Development for Professional Accountants*. The practice statement provides recommended measures for the implementation of IES 5, *Practical Experience Requirements*.

This practice statement recommends that member bodies develop an integrated approach to professional development covering both pre and post qualification stages. It also recommends that member bodies design systems to identify, monitor and assess mentors for students. A "registered employer" scheme is also recommended to recognise employers that provide suitable training environments for students.

As most of the students in Guyana are pursuing ACCA membership, the pre-qualification training criteria currently applied are those imposed by ACCA.

The closing date for comments on the exposure draft was 31 March 2007.

Know Your Standard Setters

This quarter we focus on the bodies responsible for setting accounting guidance for the profession.

The International Accounting Standards Board is responsible for developing a single set of accounting standards that are globally acceptable. The IASB is overseen by the International Accounting Standards Committee Foundation which is a not-for-profit corporation incorporated in Delaware, United States of America. The IASC is governed by 22 Trustees drawn from the following geographic locations: Asia/Oceania region - 6, Europe - 6, North America - 6 and Other Regions - 4. Funding for the IASC (and IASB) comes from major accounting firms, financial institutions and industrial companies.

The IASB's technical agenda is decided and executed by 14 Board members who are selected by the Trustees of the IASC. The current Chairman of the Board is Sir David Tweedie. The other members are drawn from the following geographic locations: Europe - 5, North America - 5, Asia/Oceania - 2, Other - 1. The IASB is based in London.

The Standards Advisory Council advises the IASB on technical matters to be included on their agenda and comprises approximately 40 members with an interest in international financial reporting.

The International Financial Reporting Interpretations Committee, which is appointed by the Trustees of the IASC, supports the activities of the IASB by providing clarifications on issues not addressed, or conflictingly addressed, in the IFRSs. The IFRIC comprises 12 members and a non-voting chairman.

The development of IFRSs and associated interpretations involves due process and international consultation. All meetings of the IASB and the IFRIC are open to public observation. Participation in the development of IFRSs and associated interpretations is possible through:

- participation in the SAC
- submission of issues to IFRIC
- submission of comments on exposure drafts and draft interpretations

The ICAG has adopted IFRS as the framework for financial reporting in Guyana.

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 216 Almond Street, Queenstown, Georgetown.