



# The Institute of Chartered Accountants of Guyana

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

## Welcome to September 2010 Newsletter

We welcome you back to the quarterly newsletter of the Institute of Chartered Accountants of Guyana in which we highlight recent developments in accounting, auditing, tax and other relevant areas. In this issue we also highlight significant announcements from the Institute of Chartered Accountants of the Caribbean and the International Federation of Accountants.

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

### Exposure Draft: Leases

The IASB published an exposure draft of a new standard to address the accounting for leases. The exposure draft proposes a 'right-of-use' model in accounting for leases. This model will involve the following treatments:

- a) A lessee would recognise an asset representing its right to use the leased asset for the lease term and a liability to make lease payments.
- b) A lessor would recognise an asset representing its right to receive lease payments and either (i) a lease liability and continued recognition of the underlying asset, or (ii) derecognition of the asset - the choice of method is dependent on the exposure to risks or benefits associated with the underlying asset.

The proposals present a significant change from the present accounting treatments for leases contained in IAS 17 *Leases*.

The closing date for comments on the exposure draft is 15 December 2010.

### Exposure Draft: Insurance Contracts

During July 2010 the IASB issued an exposure draft addressing accounting for insurance contracts.

The exposure draft proposes a measurement approach for all types of insurance contracts issued by entities. The approach recognises that insurance contracts create a bundle of rights and obligations that work together to generate a package of cash inflows (premiums) and outflows (benefits and claims). An insurer would apply to that package of cash flows a measurement approach that uses the following elements:

- a current estimate of the future cash flows;
- a discount rate to recognise the time value of money;
- an explicit risk adjustment to recognise the maximum amount that an insurer would rationally pay to be relieved of the risk;
- a margin that reports profitability of the contracts over their coverage period.

The closing date for comments on the exposure draft is 30 November 2010.

### Exposure Draft: Revenue from Contracts with Customers

In June 2010 the IASB published an exposure draft of a new standard - *Revenue from Contracts with Customers*. It is intended for the standard to replace IAS 11 *Construction Contracts* and IAS 18 *Revenue*. The core principle requires an entity to recognise revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration that it receives, or expects to receive, in exchange for those goods and services.



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To apply that principle, an entity would:

- a) identify the contract(s) with a customer;
- b) identify the separate performance obligations in the contract;
- c) determine the transaction price;
- d) allocate the transaction price to the separate performance obligations; and
- e) recognise revenue when the entity satisfies each performance obligation.

The closing date for comments on the exposure draft was 22 October 2010.

## **Draft Interpretation: Accounting for Stripping Costs**

During August 2010 the Interpretations Committee of the IASB issued a draft interpretation *Stripping Costs in the Production Phase of a Surface Mine*.

The interpretation seeks to provide the conditions under which costs associated with the removal of waste materials during production should be capitalised and depreciated or amortised. It proposes that costs of stripping activity that are part of a stripping campaign be accounted for as an addition to, or enhancement of, an existing asset. Depreciation or amortisation shall occur in a rational and systematic manner, over the expected useful life of the specific section of ore body that becomes directly accessible as a result of the stripping campaign. The capitalised costs are classified as tangible or intangible according to the nature of the existing asset to which it relates.

The closing date for comments on the draft interpretation is 30 November 2010.

## **New Auditing Issues**

### **Exposure Draft: Using Work of Internal Auditors**

The IAASB issued in July 2010 an exposure draft of a revised standard addressing the external auditor's responsibilities when intending to rely on the work of the internal auditor during an audit.

The proposed revision aims to enhance the performance of the external auditor by, (a) enabling them to better consider and leverage, as appropriate, the knowledge and findings of an entity's internal audit function in making risk assessments in the external audit, and (b) strengthening the framework for the evaluation and, where appropriate, use of the work of internal auditors in obtaining audit evidence.

The closing date for comments on the exposure draft is 15 November 2010.

### **Proposed Pronouncement - Auditing Complex Financial Instruments**

During October the IAASB issued a proposed pronouncement - International Auditing Practice Statement 1000 *Special Considerations in Auditing Complex Financial Instruments*.

The proposed pronouncement seeks to raise awareness of issues being encountered in practice, in particular for fair value estimates and the valuation of assets in illiquid markets.

The closing date for comments on the proposed pronouncement is 11 February 2011.



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## News from ICAC

### **Addition of Suriname Association**

In June 2010 the ICAC approved the Suriname Association of Accountants (SUVA) as its first associate member. The ICAC is hopeful that the SUVA will attain full membership within three years.

### **Addition of CMA Canada**

In June 2010 the ICAC approved the Certified Management Accountants of Canada as its fifth affiliate member. CMA is focused on developing professionals whose expertise is grounded in accounting integrated with management and strategy.

### **Appointment to IASB SME Group**

The President of the Institute of Chartered Accountants of Barbados, Andrew Braithwaite, was appointed to serve on the IASB SME Implementation Group effective July 2010. The term of the appointment is two years. The objective of the Group is to support the adoption of the IFRS for SMEs and to monitor its implementation.

## News from IFAC

### **Audits of SMEs**

The Small and Medium Practices (SMP) Committee of IFAC published the second edition of its 'Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities' (ISA Guide) in October 2010. The implementation guide is intended to help practitioners understand and efficiently apply the Clarified International Standards on Auditing, which are effective for audits of financial statements for periods beginning on or after 15 December 2009.

## Upcoming Events

### **Anniversary Dinner**

The ICAG will be hosting a Members' Reception and Dinner on Friday 26 November 2010 at the Pegasus Hotel in recognition of its 44<sup>th</sup> Anniversary. Members are encouraged to mark the date!

### **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.