



Welcome Remarks

This September Newsletter is the second such publication for the year containing summary information on developments in the areas of accounting, auditing, education and ethics.

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

We would like to acknowledge the contribution of Rakesh Latchana to this quarter's publication.

Khalil Ali
Editor

New Accounting Issues

Limit on New Major Standards

In June of this year the IASB examined its technical plan and concluded that in an effort to promote consistent and rigorous application of IFRS, it would not require the application of new IFRSs under development or major amendments to existing standards before 01 January 2009.

The IASB would however not be precluded from publishing new standards nor would entities be precluded from adopting published standards before their effective dates. Minor amendments to existing standards and interpretations issued by IFRIC will not be subject to this limitation.

Amendment to Borrowing Costs

The IASB issued an exposure draft containing a proposed amendment to the treatment of borrowing costs as part of the convergence with US GAAP. The amendment proposed is the elimination of the current option in IAS 23 *Borrowing Costs* to recognise borrowing costs as an expense immediately, to the extent that they are directly attributable to the acquisition, construction and or production of a qualifying asset. Such borrowing costs would have to be capitalized as part of the qualifying asset. The deadline for comments was 29 September 2006.

Financial Instruments Puttable at Fair Value

The IASB issued an exposure draft proposing, as an amendment to IAS 32 *Financial Instruments: Presentation*, that ordinary shares and partnership interests which are puttable (holder can require issuer to redeem) at the fair value of a pro-rata share of net assets of an entity to be classified as equity. Applying the existing IAS 32 (and IAS 39: *Recognition and Measurement*) could result in such instruments being recorded as liabilities and being measured at the fair value of the net assets of the entity. Associated disclosure amendments to IAS 1 *Presentation of Financial Statements* are also included. The deadline for comments is 23 October 2006.

Draft Interpretation - IAS 19 Pension Asset Ceiling and Minimum Funding Requirements

IFRIC issued a draft interpretation addressing circumstances where a defined benefit scheme may be subject to minimum funding requirements due to statutory or contractual conditions. Presently IAS 19 limits any asset to be recognised to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions from the plan. The proposal is that an entity subject to a minimum funding obligation determines whether the minimum contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan. Where the minimum contributions are not reclaimable, any defined benefit asset is reduced. The deadline for comments is 30 October 2006.

Draft Interpretation - Customer Loyalty Programmes

IFRIC issued a draft interpretation addressing the accounting for obligations of entities for loyalty programmes e.g. customer points, air miles, award credits. The proposal would require allocating part of sales proceeds to revenue and part to deferred revenue to reflect the value of the loyalty programme points or credits. The deferred revenue would be recognised when the entity satisfies its obligations under the programme. The deadline for comments is 06 November 2006.



Small and Medium Sized Entities

The IASB has made available a preliminary exposure draft (not yet open for public comment) on the development of an IFRS for small and medium sized entities. The document proposes that SMEs are entities that (i) do not have public accountability and (ii) publish general purpose financial statements for external users (owners not involved with managing business, existing and potential creditors and credit rating agencies). The project is ongoing but the preliminary exposure draft provides some indication of the structure of the IFRS for SMEs.

Key Management Disclosures

The Council of ICAG recently mandated the Technical Committee to review IAS 24 to determine whether the number of key management personnel is required to be disclosed. The Council, based on advice from the Technical Committee, concluded that the number of key management personnel is not required to be disclosed.

New Auditing Issues

ISA 600 (revised and redrafted) - The Audit of Group Financial Statements

In March 2006 the IAASB issued this re-exposure draft with proposals designed to enhance the quality of audits of group financial statements. In its press release the IAASB stated that *“the primary issues revolve around the extent to which the group auditor needs to be involved in the audits of components that are audited by other auditors, whether these auditors are independent of the group auditor (unrelated) or belong to the group auditor’s national or international firm or network of firms (related auditors)”*.

The proposed standard will replace ISA 600 - *Using the Work of Another Auditor*. Proposals for the revision of the Standard were published in December 2003 and this most recent publication represents the third draft of revisions.

This latest exposure eliminates the distinction between related and unrelated auditors and places the group auditor in a position where he has to

accept sole responsibility for the group audit opinion.

A copy of the exposure draft and comments submitted by interested persons, including international firms, may be accessed from IFAC’s website.

New Education Issues

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, and on 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.

IES 8 - Competence Requirements for Audit Professionals

In July 2006 the IAESB issued this International Education Standard (IES) outlining the skills, training, professional values, and attitudes necessary for auditors to perform competently.

IFAC member bodies will be expected to modify their policies and procedures to ensure that audit professionals meet the requirements of the Standard. The Standard will also affect the training of students. The Standard is effective from 01 July 2008.

IT for Professional Accountants

The IAESB issued an exposure draft of a practice statement entitled *Information Technology for Professional Accountants*. The exposure draft sets out guidance on knowledge and competencies required of professional accountants to prepare them (a) to use IT, (b) to work in an IT environment and/or (c) to rely on IT. It assists member bodies with the design of pre and post qualification education. The deadline for comments is 15 November 2006.



Ethics Education

The IAESB issued an exposure draft of a practice statement addressing ethics education. The exposure draft sets out guidance on developing and/or maintaining professional values, ethics and attitudes in the membership. It describes different methods of delivery of ethics education. It assists member bodies with the design of pre and post qualification education. The deadline for comments is 15 November 2006.

New Ethics Issue

The International Ethics Standards Board for Accountants (IESBA) is a standard-setting body designated by, and operating independently under the auspices of, IFAC. The IESBA develops and issues in the public interest high-quality ethical standards and other pronouncements for professional accountants to use. The IESBA has issued the Code of Ethics for Professional Accountants along with Interpretations to the Code of Ethics for Professional Accountants which assist with the implementation of the Code. IFAC Member Bodies, including the ICAG are required to comply with the Code of Ethics.

Networked Firms

In July 2006 the IESBA revised the Code of Ethics for Professional Accountants by updating the definition of a network firm for application of independence rules.

An entity would be deemed part of a network if it trades directly under a common network name, or if it gives the appearance that it belongs to a network (i.e. makes reference to being part of a member of an association of firms).

Such network firms are required to be independent of their own audit clients as well as audit clients of other firms within their network.

The revised definition is effective for assurance reports dated on or after 31 December 2008.

Know Your Standard Setters

Beginning in this publication we will provide a profile on one of various standard-setting bodies that influences the standards and interpretations that we are required to follow. We begin with the body responsible for issuing auditing standards.

The IAASB is an independent body established by IFAC to serve the public interest:

- by setting high-quality auditing, assurance, quality control and related services standards;
- by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB has 18 members, 10 nominated by member bodies of IFAC, 5 nominated by the Forum of Firms and 3 other members who may be members of an IFAC member body but cannot be in public practice.

The IAASB issues the following pronouncements:

- International Standards on Auditing (ISAs)
- International Standards on Assurance Engagements (ISAEs)
- International Standards on Related Services (ISRSs)
- International Standards on Quality Control (ISQCs)
- International Auditing Practice Statements (IAPSs)

ISAs are used as the basis for national auditing standards in over 70 countries including 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.