

IASCA Newsletter

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YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS

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IASCA General Assembly meeting

Abu-Ghazaleh: We propose to issue a professional certificate in the Arabic language on International Public Sector Accounting Standards (IPSAS)



BEIRUT - The International Arab Society of Certified Accountants (IASCA) Board of Directors and General Assembly held their annual meeting in Beirut under the presidency of HE Dr. Talal Abu-Ghazaleh.

During the meeting, Dr. Abu-Ghazaleh stressed the importance of developing and adopting change as well as addressing the needs of youth in the labor market, pointing out that IASCA is proposing to issue a professional certificate in Arabic on the International Public Sector Accounting Standards (IPSAS) and to amend the professional curriculum of IASCA according to the latest standards.

During the meeting, it was decided to organize a gathering in Jordan through IASCA to include the International Federation of Accountants (IFAC) and Ministries of Finance in the Arab world, in order to encourage governments to adopt IPSAS and show the Jordanian success story.

It was also decided to support the nomination of the accounting experts certified in Lebanon to IFAC membership to issue an English version of the International Arab Certified Public Accountant (IACPA) certificate and to change all exams to online versions.

IASCA is in the process of establishing training centers in Arab countries in cooperation with local accounting societies and universities and in assisting Arab societies to obtain IFAC membership.

Dr. Abu-Ghazaleh generously donated all the membership fees for Sudan to IFAC in order to renew its membership in the Federation.



IFRS 9 and IFRS 15—one year to go

LONDON - The final countdown has started to the effective date of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

Companies will have to apply the two Standards for reporting periods beginning on or after January 1, 2018.

Now is a good time for a recap on the changes the Standards will bring and the range of helpful materials available on our website.

IFRS 9 changes

In summary, IFRS 9 will replace IAS 39 Financial Instruments and bring together the following aspects of accounting for financial instruments:-

- Classification and measurement
- Impairment
- Hedge accounting

IFRS 9 is relevant to many different companies but will have the greatest effect on financial institutions.

In practice, the most significant change will be in the way financial institutions account for loan losses. IFRS 9 replaces the incurred loan loss model of IAS 39 with an expected loan loss model. The new model is likely to result in greater loan loss provisions by financial institutions and will provide investors with useful information on changes in credit risk exposure.

IFRS 15 changes

IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction Contracts. It will establish a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. It is expected to



increase comparability among companies across sectors and markets.

IFRS 15 will affect almost all companies because it covers revenue from all contracts with customers, except for revenue from leases, financial instruments and insurance contracts.

Heads up for investors

Investors should find useful information in the notes to companies' financial statements about the expected impact of a new Standard even before companies apply that Standard (this is a requirement in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). For IFRS 9 this might include information about how loan loss provisions are likely to change, and for IFRS 15 it might include information about the likely effects on the amount or timing of revenue recognition.

Implementation assistance for companies

The Board provides educational materials to assist companies applying an IFRS Standard for the first time. Examples of such materials include articles, videos and web presentations.

Furthermore, both IFRS 9 and IFRS 15 were supported by Transition Resource Groups (TRG)—public discussion forums established to provide support for stakeholders.

<http://www.ifrs.org/Features/Pages/IFRS-9-and-IFRS-15-one-year-to-go.aspx>

Abu-Ghazaleh Announces the Publication of the Arabic Version of the 2015 Handbook of International Public Sector Accounting Standards

AMMAN - HE Dr. Talal Abu-Ghazaleh, Chairman of the Arab Society of Certified Accountants (ASCA -Jordan) announced the publication of the Arabic version of the 2015 Handbook of International Public Sector Accounting Standards.

He pointed out that ASCA-Jordan continuously seeks to develop both accounting and Management Sciences as well as all the principles applicable to all or some



professional services. ASCA-Jordan also strives to upgrade the competence, practice and code of ethics according to the highest professional levels through the issuance of accounting publications and following up on recent developments in accounting and auditing.

The most important changes of the 2015 version are the changes in new standards.

New Standards

The IPSASB approved the following standards included in this Handbook:-

- IPSAS 33 First-time Adoption of International Public Sector Accounting Standards (IPSASs)
- IPSAS 34 Separate Financial Statements
- IPSAS 35 Consolidated Financial Statements
- IPSAS 36 Investments in Associates and Joint Ventures

- IPSAS 37 Joint Arrangements
- IPSAS 38 Disclosure of Interests in Other Entities

A number of IPSASs were amended as a result of the IPSASB's Improvements to IPSASs 2014 project. This project involved the making of non-urgent but necessary changes to the IPSASs. The following documents have been amended:-

- IPSAS 1 Presentation of Financial Statements
- IPSAS 17 Property, Plant, and Equipment
- IPSAS 28 Financial Instruments: Presentation
- IPSAS 31 Intangible Assets

The Preface and Chapters 5–8 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities were approved in September 2014 and issued in October 2014.

IASB to Set Stricter Rules on Use of Infrequent Items

NEW YORK - The International Accounting Standards Board will provide stricter guidance on the use of so called infrequent items on company income statements, the organization's Chairman Hans Hoogervorst said.

Companies could be required to disclose the nature of their infrequent items for the past five years, Mr. Hoogervorst said in an interview.

"Should firms be able to present restructuring as an infrequent item? That calls for stricter guidance," he said.

In the next two to three years, the IASB will also specify how it wants companies to state subtotals, such as operating profit and earnings before interest and taxes, or ebit, and other special line items, Mr. Hoogervorst said. The board will also include recommendations on where to place interest expenses, he said.

"We want more comparability above the bottom line," Mr. Hoogervorst said. These steps should lead to a stricter formatting of income statements and also provide greater transparency over the use of financial measures outside generally accepted accounting principles (GAAP)," he said.

"This will hopefully make it easier for regulators to get more clarity over the use of non-GAAP measures," Mr. Hoogervorst said.

Earlier this year, the US Securities and Exchange Commission issued new



guidelines on the use of non-GAAP figures in an effort to rein in the practice. The guidelines targeted the prominence of non-GAAP figures in earnings releases and specifically prohibited certain adjustments to revenue.

Last week agency officials said it would allow the use of adjusted figures under special circumstances.

The IASB is also working on a practice statement that clarifies the application of materiality.

The organization will propose clarifications to the definition of materiality in a draft, a spokeswoman of the IASB said. This is aimed at making "companies feel more comfortable to leave out unnecessary clutter," Mr. Hoogervorst said.

The final version of the practice statement is expected to be published in the second quarter of 2017.

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<http://blogs.wsj.com/cfo/2016/12/16/iasb-to-set-stricter-rules-on-use-of-infrequent-items/>

On Conclusion of 3rd Meeting of AAOIFI Governance and Ethics Board, AAOIFI Issues Exposure Drafts for Standards on Central Shari'ah Boards and External Shari'ah Audit



BAHRAIN - Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) held the third meeting of its Governance and Ethics Board (AGEB) on 21st and 22nd of December 2016, in the Kingdom of Bahrain.

The Board reviewed updates and approved changes to working group compositions including additions and amendments to the work plan for 2017 and agreed on the targets for finalization of several projects.

In particular, the exposure draft of the governance standard on "Central Shari'ah Board" was approved and the working group and the secretariat were directed by the Board to issue the exposure draft after ensuring the improvements identified by the Board. The proposed standard covers several key aspects such as the appointment, composition and dismissal of the board members; tenure of the board; functions of central Shari'ah board; responsibilities of the appointing authority; fit and proper criteria and independence. The exposure draft is expected to be issued by beginning of 2017 and will be posted on AAOIFI website. Public hearings, as per AAOIFI policy, will be held during beginning of 2017 to get the industry feedback on the exposure draft.

The Board further discussed several topics on its agenda, the most important of which were:

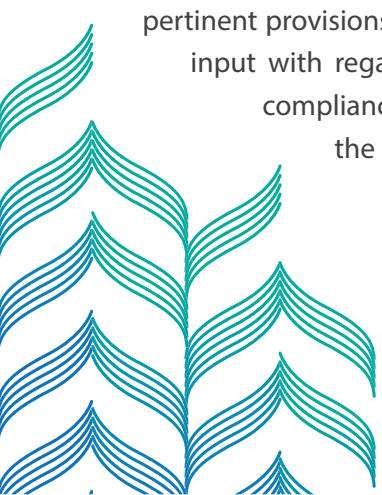
- The exposure draft of the auditing standard on "External Shari'ah Audit" was discussed at length. The members discussed the key contents and the pertinent provisions of the draft and provided their input with regard to the definitions used; the compliance and ethical requirements; the underlying subject matter of the external Shari'ah audit;

the criteria; using the work of the internal audit and internal Shari'ah review functions; using the work of the Shari'ah review and the report of the Shari'ah supervisor(s) and the documentation requirements. The Board also discussed that the standard will be followed by detailed guidelines on performance of external Shari'ah audit. This exposure draft and the respective project is being conducted by the AAOIFI Secretariat with the help and input from the Institute of Chartered Accountants of Pakistan (ICAP). The Board approved the principal contents and provisions of the exposure draft and requested the working group and the technical team to make specific amendments in line with the Board's instructions. The revised exposure draft is expected to be published in the first quarter of 2017.

- The Board reviewed its progress over the last year which was the first year after reconstitution. The Board also discussed the progress on the projects being carried forward to the next year including the Internal Shari'ah Audit, Shari'ah Compliance and Fiduciary Rating, and Comprehensive Ethics projects.
- The Auditing Guidance Note No. 1 – "Communication of Key Audit Matters in the Independent Auditors' Report" was discussed and approved, duly encompassing the AAOIFI views on the provisions for, and contents of, the long form audit report in line with global best practices (including ISA 701). The same will be issued in due course after taking the approval from AAOIFI Accounting Board.

The next AGEB meeting is proposed to be held by March 2017, in Oman.

<http://aaoifi.com/announcement/on-conclusion-of-3rd-meeting-of-aaoifi-governance-and-ethics-board-aaoifi-issues-exposure-drafts-for-standards-on-central-shariah-boards-and-external-shariah-audit/?lang=en>



IACPA Examination Results of December 2016 Announced 32% Success Rate

AMMAN - The International Arab Society of Certified Accountants (IASCA) announced the Examination Results of the International Arab Certified Public Accountant (IACPA)- December 2016 cycle.

A significant number of students sat for the IACPA exams from around the Arab world, 32% out of them successfully passed the exams.

It is worthy to mention that the International Arab Society of Certified Accountants (IASCA) has started to apply the system of holding the IACPA examinations twice a year



as from 2015, under which two cycles are being held in June and December.

IASCA congratulates the students who passed the exams and wishes success in the next cycle to those who did not.

IFRS Foundation Reduces Size of IASB

LONDON - The trustees of the IFRS Foundation, which oversees the International Accounting Standards Board, have reduced the board's number of members as part of a constitutional review.

Apart from the reduction in the size of the IASB from 16 members to 14, other major changes include:-

- For the appointment of trustees, North America and South America will be combined into a single Americas category.
- The number of "at large" trustees will increase.
- It is no longer required that two trustees come from audit firms.
- Trustees will be paid an annual fee, as opposed to a fee per meeting.

"The amendments to the constitution follow a very thorough review and consultation process, striking a balance between all the helpful input we received



from constituents," said Michel Prada, the chair of the foundation, in a statement. "These changes safeguard the flexibility required to meet the evolving demands on the organization and ensure the composition of both trustees and board members is as inclusive and balanced as it needs to be for the organization to operate effectively."

The IFRS Foundation noted that while the constitution had called for 16 IASB members, the board has been operating with 14.

The constitution itself requires the trustees to review the foundation's structure every five years. The current changes are a result of a review that began in July of last year.

<http://www.accountingtoday.com/news/ifrs-foundation-reduces-size-of-iasb>



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