

# TECHNICAL E-NEWSLETTER

FOR THE MONTH OF FEBRUARY 2008

## ACCOUNTING UPDATE

### Clarity Standards Issued

The following three clarity standards were issued by IASB;

Revised IFRS 3, Business Combinations
IAS 27, Consolidated and Separate Financial Statements
IAS 14, Segment Reporting

- The objective was to develop a high quality accounting standard that would ensure that the accounting for business combination is the same whether an entity is applying IFRSs or US GAAP. The main changes the revised IFRS 3 and amended IAS 27 will make to existing requirements or practice are:

**Partial acquisitions.** Non-controlling interests are measured either as their proportionate interest in the net identifiable assets of the acquiree (which is the original IFRS 3 requirement) or at fair value (which is the new requirement in US GAAP).

**Step acquisitions:** The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

**Acquisition-related costs.** Acquisition-related costs are generally recognised as expenses (rather than included in goodwill).

**Contingent consideration.** Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in profit or loss (rather than by adjusting goodwill).

**Transactions with non-controlling interests.** Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

The new requirements take effect on 1 July 2009, although entities are permitted to adopt them earlier

- The IASB issued an updated version of IAS 14, Segment Reporting. This version includes amendments resulting from new and amended IFRSs issued up to 10 January 2008.

## AUDITING UPDATE

### Exposure Drafts

The International Auditing and Assurance Standards Board (IAASB) released the following two exposure drafts:

Exposure Drafts	Date for Comments
Proposed ISA 501 (Redrafted) Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures	31/3/2008
Proposed ISA 520 (Redrafted), Analytical Procedures	31/3/2008

Proposed Redrafted ISAs 501 and 520 reflect the application of the IAASBs'

# TECHNICAL E-NEWSLETTER

FOR THE MONTH OF FEBRUARY 2008

clarity drafting conventions to extant ISA 501, Audit Evidence-Additional Considerations for Specific Items and ISA 520, Analytical Procedures.

The proposed ISAs 501 and 520 can be viewed at <http://www.ifac.org/eds>

## Members valuable comments

IAASB has asked for the comments on the said exposure drafts, all members are requested to send their valuable comments before the due date to ICAP at the following email ID [maria.gamar@icap.org.pk](mailto:maria.gamar@icap.org.pk).

## TAXES UPDATE

### Income Tax 2001

The FBR issued the following Notification/Circular:

Circular # 01 of 2008 dated 18/1/2008	Changing of withholding tax on 2% value addition sales tax from Commercial Importers, Sales Tax General Order No.3 of 2007
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### Sales Tax 1990

The FBR issued the following Notifications and General Orders:

SRO No.	Subject
37 (I) / 2008 dated 9/1/2008	Amendment to SRO 1202 (I) 2007 dated 11 December 2007
38 (I) / 2008 dated 9/1/2008	Amendment to SRO 1203 (I) 2007 dated 11 December 2007
47 (I) / 2008 dated 15/1/2008	All appeals pending before the Customs, Excise and Sales Tax Appellate Tribunals as have been filed by an officer of Sales Tax below in rank to an Additional Collector
48 (I) / 2008 dated 15/1/2008	Appointment of the officers of the Directorate-General of Intelligence and Investigation

49 (I) / 2008 dated 15/1/2008	Scope of mandatory electronic filing has been extended to all sales tax returns and statements due under section 26 and 27 of Sales Tax Act
66 (I) / 2008 dated 22/1/2008	Appointment of different officers of Sales Tax
76 (I) / 2008 dated 23/1/2008	Exemption of whole of sales tax chargeable on the supplies made by the manufacturers of marble and granite having annual turnover less than five million rupees
77 (I) / 2008 dated 23/1/2008	Amendment of Sales tax Special Procedure (Withholding ) Rules, 2007
91 (I) / 2008 dated 30/1/2008	Amendment in SRO 645 (I) /2007 dated 27 June 2007

## General Orders

STGO # 01/ 2008 dated 17/1/2008	Amendment in STGO # 07/2007 dated 13 September, 2007
STGO # 02/ 2008 dated 17/1/2008	Amendment in STGO # 09/2007 dated 13 September, 2007
STGO # 03/ 2008 dated 17/1/2008	Amendment in STGO # 16/2007 dated 13 September, 2007
STGO # 04/ 2008 dated 17/1/2008	Amendment in STGO # 17/2007 dated 13 September, 2007
C.No.3(13) ST L & P / 2003 Pt dated 25/1/2008	Extension in deadline for claims relating to Adjustment Notes

## Customs Act, 1969

The FBR issued the following Notifications regarding Imports:

### Notification regarding Imports

SRO # 16 (I) dated 4/1/2008	Amendment in SRO 567/(I)/2006 dated 05 June 2006
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A more detailed view of the above mentioned Notifications, General Orders and Circulars may be obtained at <http://www.fbr.gov.pk>.

# TECHNICAL E-NEWSLETTER

FOR THE MONTH OF FEBRUARY 2008

## COMPANIES ORDINANCE 1984 UPDATE

The Securities and Exchange Commission of Pakistan (SECP) issued the following Notification:

No. D (CS)/23/2007 dated 8/1/2008	SECP invites applications from Chartered Accountants for inclusion in the Panel of Auditors
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A more detailed view of the above mentioned Notification may be obtained at <http://www.secp.gov.pk>.

## JANUARY NEWS BRIEF

- Oil hit 100 dollars for first time in history.
- Cellular industry posted growth of 119 per cent.
- Trucking declared as an industry.
- Survey revealed that lack of qualified professionals/staff are barriers against good corporate governance practices.
- Growth rate for 2008 to remain close to 6%.
- FBR approached NADRA regarding establishment of national data warehouse of taxpayers.
- Business volumes drop in UK financial sector.
- World Bank sees modest global growth: US recession risk.
- SBP announces incentives for small farmers.
- Beijing opens world's largest air terminal.
- US automakers face onslaught in 2008 due to economic downturn.
- Mandatory for government to consult SBP before taking decisions on financial matters involving banking arrangements.
- CPI rose to 8.79 per cent in December 2007.

- Plan by FBR for corporate entities and big companies in Karachi to submit sales tax refund claims through web portal via Computerised Risk Based Evaluation of Sales Tax (CREST).
- China sets 2008 inflation target at 4.6 per cent.
- Oil consumption records 8.3 percent growth.
- FBR initiates budget exercise.
- SBP issues new guidelines for ATM card management.
- WTO urges Pakistan to diversify exports away from textiles.
- Steel products prices hit historic high on 16 January.
- E filing extended to all sales tax returns, statements.
- Asian markets: share prices plummet on 16 January; subsequently rebound.
- World Economic Forum and Competitiveness Support Fund will conduct Executive Opinion Survey 2008 in Pakistan.
- Proposed Demutualisation Ordinance approved.
- SECP, SEBI (India) sign MOU.
- Fed cut US interest rates by half point.
- FBR extends deadline, to 29 February 2008, for submission of missing documents for processing pending refund claims relating to "excess input tax".
- Hong Kong develops Islamic financial platform amid forecasts that global Islamic financial markets are estimated to grow at the rate of 20-30 percent annually.
- Monetary Policy: rate raised by 50 basis points to 10.5 per cent
- 2 percent extra sales tax on pesticide importers withdrawn