The Institute of Chartered Accountants of Pakistan

e Technical Update

September 2009

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IASB Update

IASB proposes to amend the discount rate for measuring employee benefits

Comments Due Date: 30 September 2009

The IASB published for public comment proposals to amend the discount rate for measuring employee benefits. The proposals respond to calls from stakeholders to address a problem that the global financial crisis has made increasingly significant.

IAS 19 *Employee Benefits* requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds. However, when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds instead. The global financial crisis has led to a widening of the spread between yields on corporate bonds and yields on government bonds. As a result, entities with similar employee benefit obligations may report them at very different amounts.

To address the issue expeditiously, the IASB proposes to eliminate the requirement to use yields on government bonds. Instead, entities would estimate the yield on high quality corporate bonds. If adopted, the amendments would ensure that the comparability of financial statements is maintained across jurisdictions, regardless of whether there is a deep market for high quality corporate bonds.

In view of the urgency of the issue and the limited scope of the proposals the IASB has set a shortened period for comments on the exposure draft. The IASB intends to permit entities to adopt the amendments that arise from this exposure draft in their December 2009 financial statements.

The exposure draft is available on the 'Open for Comment' section on **www.iasb.org**

IASB publishes proposals for amendments under its annual improvements project

Comments Due Date: 24 November 2009

On 26 August 2009, the IASB published an Exposure Draft proposing improvements to the following eleven IFRSs:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 34 Interim Financial Reporting
- IAS 40 Investment Property
- IFRIC 13 Customer Loyalty Programmes

The proposed amendments reflect issues discussed by the IASB in the project cycle that began last year. The proposals range from clarification of the measurement of non-controlling interests in IFRS 3 *Business Combinations* (as revised in 2008) to changes of wording to clarify the meaning of IFRSs and remove unintended inconsistencies.

Unless otherwise specified, the proposed effective date for the amendments is for annual periods beginning on or after 1 January 2011, although entities would be permitted to adopt them earlier.

The proposed effective date for the amendments arising from IFRS 3 and the consequential amendments to the transition requirements of IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008) is 1 July 2010.

Basel Committee principles for revising IAS 39

The Basel Committee on Banking Supervision has published a set of high level guiding principles to assist the IASB in addressing issues related to provisioning, fair value measurement, and related disclosures. In releasing the principles the Basel Committee said that "the principles will help it produce standards that improve the decision usefulness and relevance of financial reporting for key stakeholders, including prudential regulators. Moreover, the principles would ensure that accounting reforms address broader concerns about procyclicality and systemic risk."

IFAC Update

IFAC and The FT/Banker Magazine Launch Global SME Survey

IFAC, in conjunction with The Banker magazine, have launched a survey to obtain a better understanding of the needs of lenders to small and medium entities (SMEs), the perceived challenges for SMEs in acquiring financing, and how the accountancy profession can best support SMEs and lenders. Lenders may respond to the online survey by September 11, 2009. The results of the research will be published in the October 2009 edition of The Banker.

IFAC G20 Accountancy Summit and Recommendations

IFAC recently issued a letter calling for broad action by the G20 leaders at their Pittsburgh Summit on September 24–25, 2009. The letter includes recommendations encouraging the adoption and implementation of global accounting, auditing, and auditor independence standards to improve the ability of capital markets to work globally. In addition, IFAC has called for the worldwide adoption and implementation of International Public Sector Accounting Standards to improve government transparency and accountability. It is also urging that further steps be taken to enhance the governance of the International Accounting Standards Board in order to ensure its legitimacy and its ability to act independently, and without inappropriate political interference, in its standard-setting role.

The recommendations reflect the views of the 60 leaders of accountancy organizations who attended the IFAC G20 Accountancy Summit, which took place in London, UK, July 23-24. The letter with the full list of recommendations is posted on the IFAC website: **www.ifac.org/financial-crisis**.To learn more, please see the Monitoring Group's press release: **web.ifac.org/download/Monitoring_Group_Press_Release.pdf.**

Q&As Issued by the International Auditing and Assurance Standards Board

The staff of the International Auditing and Assurance Standards Board (IAASB) has developed a new question-and-answer publication entitled *Applying ISAs Proportionately with the Size and Complexity of an Entity*. The publication was developed to assist auditors worldwide in implementing the clarified International Standards on Auditing (ISAs). While the publication is relevant in the context of any audit, it will be of particular help to those who audit, or oversee the audits of, small- and medium-sized entities. The publication can be downloaded from the IAASB Clarity Center: **http://www.ifac.org/Members/DownLoads/applying-isas-proportionate.pdf**

Call for Comments on Exposure Draft for the IAESB *2010-2012 Strategy and Work Plan*

The International Accounting Education Standards Board (IAESB) is seeking comments from IFAC member bodies, regulators, accounting firms, employers, the academic community, and others on the exposure draft (ED) of its *2010-2012 Strategy and Work Plan*.

The proposed strategy focuses on revising International Education Standards (IESs) and developing new guidance for the adoption and implementation of the standards. Through the projects and activities outlined in the proposed plan, the IAESB aims to continue to assist IFAC member bodies in developing the capacity and capability of the global accountancy profession.

Three high-priority activities described in the ED are:

- Conduct a revision of the IESs based on the results of the drafting conventions project and recent developments in the accountancy profession;
- Develop implementation guidance in areas of measurable implementation of the IESs, competency frameworks, and quality control measures for educators; and
- Promote a greater awareness of the IAESB's role in advancing international debate on issues related to the development and assessment of professional accountants.

Organizations and individuals with an interest in accounting education are invited to comment on the IAESB's strategy and work plan by **October 5, 2009**. The exposure draft may be viewed by going to **www.ifac.org/Guidance/EXD-Outstanding.php**

Consultation Expands Range of IES Framework Project

The IAESB is currently developing a revised draft of the *Framework for International Education Standards* (Framework) as a result of its public consultation on proposed revisions to the document. The consultation is an important step of an ongoing project to revise the Framework and was conducted by the IAESB during the first two quarters of 2009.

Based on the review to date, the IAESB plans to expand the Framework by describing the various forms of learning and development that can be used in professional accounting education programs. The revision process will also improve the clarity of the Framework, update sections to reflect the IAESB's experience, and expand on the purpose of the IAESB's standards and guidance.

The IAESB will confer with its Consultative Advisory Group in the third quarter of 2009. Subject to these discussions, the IAESB expects to approve the Framework for publication in the fourth quarter of 2009.

For further information on this initiative, please visit the IAESB's project page on the IFAC website: **www.ifac.org/Education/ProjectHistory.php?ProjID=0073.**

Progress Continues on IAESB Drafting Conventions Initiative

The IAESB has considered significant comments received on its exposure draft of the *Explanatory Memorandum for the IAESB Drafting Conventions*. The goal of the project is to develop principles and practices for the drafting of IAESB pronouncements in order to improve their clarity and consistency.

Topics discussed include:

- Discontinuing the use of a presumptive requirement;
- Developing a new structure for the standards; and
- Reviewing IAESB definitions to ensure consistency with the definitions used by other IFAC boards and committees.

The IAESB will consider a draft of a proposed statement on the drafting conventions at its October 2009 meeting.

Progress Report on IAAER/ACCA Education Research

In the second quarter of 2008, the International Association for Accounting Education & Research (IAAER) held a research competition, funded by the Association of Certified Chartered Accountants (ACCA), to commission four research projects that will help the IAESB by providing evidence on the acceptance, implementation, and impact of accounting education standards throughout the world.

As a follow-up to its February 2009 meeting, the IAAER held a meeting in early August to provide feedback on the four winning research proposals that cover topics related to the IAESB work program. IAESB members who attended the meeting indicated that they were pleased with the progress of the projects, given that all of the projects had reached the point where data was being collected and analyzed.

The projects are as follows:

- "How Does the Methodology of Education and Training in Ethics Affect the Ethical Awareness and Practice of the Professional Accountant?"
- "Access to CPD Opportunities and Resources to Assist Professional Accountants to Meet Their Commitment to Life Long Learning: Evidence from the Asia Pacific Region"
- "Searching for Best Practice in the Development and Assessment of Non-Technical Skills in Accountancy Trainees - A Global Study"
- "The Awareness and Impact of International Accounting Education Standards"

The research teams will continue their work over the coming year with the aim of presenting their results at the 11th IAAER World Congress of Accounting Educators and Researchers in November 2010. More information about the teams conducting these research projects is available at **http://www.iaaer.org/research/files/IAESB_Recipients.pdf**

ICAP Update

- Circular 10/2009 – Notification that FBR has withdrawn the requirement of audit firms to submit working paper files under section 176 of the Ordinance

ENQUIRY - 1

CHARGEABILITY OF WPPF LEVY UNDER WPPF ACT 1968 ON PROFIT CONSISTING PRICE SUBSIDY RECEIVED FROM GOVERNMENT ON SALE OF FERTILIZERS

During the conduct of audit, we come across the issue which is as under:-

1. The Company is a fertilizer manufacturer and has received a price subsidy on sale of fertilizer from government

2. The company has calculated the WPPF levy on profit of the company consisting including the amount of subsidy which is duly appearing in audited financial statements of the relevant year/ period of the company

3. This subsidy from Government is in terms of Public Notice No. 7-1-2006-Fert, dated 29 September 2006 issued by the Government's Ministry of Food, Agriculture and Live Stock from promoting balanced use of fertilizers

4. That in respect of above mentioned price subsidy on sale of fertilizer received from Government, a reversal (reducing the WPPF liability) in Worker's Profit Participation Fund accounts for the year ended 30-6-2007 which is 5% of price subsidy, has been made by the fund management on the plea that clause 102 (A) Part-1 and 2nd Schedule of the Income Tax Ordinance, 2001, which is as under:-

   "Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of Implementation of any orders of the Federal Government in this behalf".

   While corresponding effect has not been shown in the Company's own audited accounts for the year ended 30-6-2007.

5. That the same adjustment has been made in the fund account in period ended 31-12-2007, where a reversal (reducing the WPPF liability) of an amount which is 5% of price subsidy, has been made by the fund management on the plea that clause 102 (A) Part I of 2nd Schedule of the Income Tax Ordinance, 2001, which has been quoted above. Again no corresponding effect in Company's own audited accounts period ended on 31-12-2007 has been made.

6. However the effect of these above mentioned reversals, reducing of WPPF liability where made in Company's audited accounts for the year ended 31-12-2008 but no disclosure was given in the notes to the accounts

7. However during the conduct of audit, upon our enquiry, the management explained this issue as under:-

WPPF in year ended 31-12-2008	XXXXX
Less: previous year WPPF on subsidy reversed in accounts of 31-12-2008	XXXXX
WPPF appearing in Audited accounts of 31-12-2008	XXXXX

8. According to management, in the light of above quoted clause in the Income Tax Ordinance, 201 as no expenditure can be claimed against such income which is exempt from the levy of tax, hence no expenditure (including WPPF) can be charged as expense and all amounts which had been calculated charged against said subsidies received in relevant years were bound to be reversed

9. Our understanding is as follows:-

   First of all the said exemption in Income Tax Ordinance, 2001 is applicable on company's Income Tax and not applicable to WPPF levy. We are of the opinion that WPPF Act 1968 is a separate law and any exemption under Income Tax Ordinance, 2001 is not applicable to WPPF Act, 1968 hence the reversal of WPPF liability amount made by the company seems to be incorrect.

   We will be highly obliged if your honor provide us legal opinion on the above mentioned issue whether explanation given by the management and treatment given in audited financial statements for the year ended 31-12-2008 is correct or not as per relevant law.

COMMITTEE'S VIEWS

The Committee wishes to draw your attention to the definition of 'Net Profits' under section 87C(3) of the Companies Act 1913 (the Repealed Act):

"For the purposes of this section 'net profits' means the profits of the company calculated after allowing for all the usual working charges, interest on loans and advances, repairs and outgoing, depreciation, bounties or subsides received from any Government or from a public body, profits by way of premium on shares sold, profits on sale proceeds of forfeited shares, or profits from the sale of the whole or part of the undertaking of the company but without any deduction in respect of income-tax or super-tax, or any other tax or duty on income or revenue or for expenditure by way of interest on debentures or otherwise on capital account or on account of any sum which may be set aside in each year out of the profits for reserve or any other special fund."

Interpretation

The first phrase is *'Net profit means the profits of the company'.* This would, in Committee's view, mean the Net Profits as computed in accordance with section 234 of the Companies Ordinance, 1984 following Pakistan GAAP. In view thereof "Net Profit" includes all gross income from whatever source derived. The second phrase is *'Calculated after allowing for all usual working charges'*; the meaning is simple and need not be explained. The third phrase is *'Interest on loans and Advances'* this has been included because it appears that legislature wanted to distinguish between which was allowable and the interest on debenture or otherwise on capital account which was not. It also appears that the legislature wished to make it clear that interest was a revenue expenditure and not to be capitalized. The next phrase is *'Repairs and outgoings'* from this the legislature apparently wanted to make it clear that repair were to be considered as a revenue expenditure and not to be capitalized. The next word *'Depreciation'* has been included to make it clear that depreciation shall be included as a deduction.

The next phrase is *'bounties or subsidies received from (any Government) or from a public body, profits by way of premium on shares sold, profits on sale proceeds of forfeited shares, or profits from the sale of the whole or part of the undertaking of the company'*. All these items have one thing in common; they are heads of receipts, which in all probability have already been included in the net profits. The legislation cannot intend to doubly include these items therefore, the only conclusion is that the legislature apparently wished to exclude these items from the receipts for the purpose of computation of net profits, otherwise the inclusion of these items shall be superfluous use of words and the presumption is that legislature does not use words superfluously.

In view of the above, the committee is of the view that the amount received by the company as price subsidy from government should be excluded from the receipts for the purpose of computation of net profits. Hence, the accounting treatment made by the company by including the amount of subsidy in the net profit for the purpose of computation of WPPF levy is incorrect.

ENQUIRY - 2

DEPRECIATION ON ASSETS

Your opinion is sought the following issue observed while reviewing annual accounts of a listed concern:

Case:

A textile spinning unit that has failed to re-commence business suspended only after one year of its operations initiated in the year 2001 is not providing depreciation on its assets on the basis of following jurisdiction:

a) With regard to depreciation our policy is to follow the minimum recommended approach under the IAS. According to IAS 16, para 62 units of production method for depreciation has been adopted by the Company as it is best suited in the Company's circumstances.

b) The management while reviewing the expected pattern of consumption of those assets is not charging depreciation for the period of non-usage.

c) However when these assets are utilized upon start of commercial production, the adjustment as required to the carrying amounts will be made.

d) Straight line depreciation charging during the period of non-use of assets would have inappropriately resulted in further depletion of value of assets and burden of losses on the books of the Company for the period under review when its operations are fully suspended and its fixed assets being unutilized have useful life.

Additional Information

- The Company's operations have been suspended due to non-availability of gas in the industrial estate where the spinning unit has been established.
- No impairment losses have been recognized by the Company during the period rather machinery has been revalued upwards as on June 30, 2008.

Auditor's comments:

The auditors have qualified their opinion about non-charging of depreciation.

In this context, we are of the view that though adoption of a depreciation method and resultant depreciation charge is management is management's best estimate; however basic principals are laid down in the IAS 16.

As per the IAS an entity is required to begin depreciation an item of property, plant and equipment when it is available for use and to continue depreciating it until it is derecognized, even if during that period the items idle, (refer IN 12)

However, this is also provided in the IAS 16 para 55 that "under methods of depreciation the depreciation charge can be zero while there is no production.

In view of the above, opinion is sought about the method adopted by the Company for depreciation its assets and whether or not non-charging of any depreciation is correct in the particular circumstances of the Company.

COMMITTEE'S VIEWS

We would like to draw your attention to the following paragraphs of IAS-16 'Property, Plant and Equipment' (underline is ours):

55 Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. However, <u>under usage methods of depreciation the depreciation charge can be zero while there is no production.</u>

56 The future economic benefits embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

(a) expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.

(b) expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.

(c) technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.

(d) legal or similar limits on the use of the asset, such as the expiry dates of related leases.

61 The depreciation method applied to an asset shall be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with IAS 8.

62 A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. <u>The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.</u> That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits.

In view of the foregoing paras, it the Committee is of the view that:

(a) If the entity has adopted usage method of depreciation based on "out put", then non-charging of depreciation is correct provided that the conditions prescribed under paragraph 56 and 61 have been given due consideration. However, if the entity has adopted usage method based on "expected use" then the entity should charge depreciation on the basis of the expected use whether the asset was actually used or not.

(b) Further, since the entity is not operative, the company should also perform impairment test in accordance with the requirements of IAS 36 and if there is an impairment loss, related adjustment need to be made accordingly. However, if the Company is following the revaluation model and is continuously revaluing its assets on a periodical basis, then such impairment test may not be required.

SECP Update

- Circular 25 /2009 – Insurance/Renewal of Insurance Surveying Licence and Registration as ASO under Section 112 and 113 of Insurance Ordinance 2000, applications will be entertained twice a year
- Circular 26 /2009 – Cancelation/revocation of SRO No 388(I)/2009 dated 12 .05.09 ref. amendments to Modaraba Rules
- SRO 764 (I) 2009 – Amendments in Non Banking Finance Companies and Notified Entities Regulations 2008
- Circular 28 /2009 – Lists Chartered Accountancy firms which are approved by Registrar (Modarabas) to act as statutory auditors of a Modaraba
- Circular 27 /2009 – Clarification of Regulations No 37 and 38 of the Non Banking Finance Companies and Notified Entities Regulations 2008
- SRO 767 (I)/2009 – Export Policy Order 2009
- SRO 766 (I)/2009 – Import Policy Order 2009
- SRO 780 (I)/2009 – Amendments in Group Companies Registration Regulations 2008
- SRO 781 (I)/2009 – Amendment to Companies (Invitation and Acceptance of Deposits) Rules 1987 – Rule 3, sub rule 4, clause (j) changed to: "amount received by way of security or an advance from any purchasing agent, selling agent or other agent in the ordinary course of business of the company or an advance received against orders for the supply of goods or properties or for rendering services"

  This supsercedes SRO 738 (I)/2009 dated 19 August 2009

- SECP withdrew the proposed amendments to the Insurance Ordinance, 2001, mentioning that all stakeholders must be involved in the amendment process
- SECP has accorded approval of Crude Oil Futures, 100 ounces Gold Futures and Silver Futures Contracts to National Commodity Exchange Limited (NCEL)
- Circular No 29/2009 – Anti Money Laundering Measures – Customer Due Diligence(CDD)/ Know Your Customer(KYC) – additional information requirements
- SMD/BO/Policy-1(2)2001 –Prescribed additional information concerning the pattern of shareholding, filing of Form A and soft copy of the list of members. Also details on filing of returns of Beneficial Ownership under Section 222 of the Companies Ordinance, 1984

SBP Update

- DMMD Circular 1 – Introduction of interest rate corridor for the money market overnight repo rates
- DMMD Circular 2 – Amendment in Circular 1 re SBP Overnight Reverse –Repo Facility
- FE Circular no 4 – Amendment in instructions relating to Home Remittances
- PSD Circular no 2 – Outlines details of payment and settlement of home remittance transactions under Pakistan Remittance Initiative (PRI)
- BPRD Circular No 25 – Collection of utility bills
- MFD Circular 2/2009 – Details amendments in Prudential Regulations for Microfinance Banks
- SMEFD Circular No 13/2009 – SME Loan documents to be translated into Urdu
- ACD Circular No 1/2009 – Amendments in Revolving Credit Scheme (RCS) for Agriculture
- SMEFD Circular No 14/2009 – Scheme for Modernisation of Cotton Ginning Factories

- No 3(3)TID/09-P-I – Effective 01/09/09 the Federal Government will provide Mark Up rate support on all outstanding running balances of principal amount of floating rate long term loans availed by the textiles industry from commercial banks/Development Finance Institutions disbursed up to 31 August 2009, for financing import/purchase of textile machinery for which funds under State Banks LTFF have not been availed.
- No 3(2) TID/09-P-I – Export Finance Mark up Rate Facility Order 2009 – the Federal Government shall provide mark up rate support of 2.5% to the exporters of textile industry on outstanding balances of principal amount of loans availed by the industry from commercial banks for export of eligible commodities under State Banks Export Finance Scheme
- No 3(1) TID/09-P-I – Provision for drawback of local taxes and levies collected from garments, home textiles and processed fabric manufacturing units
- BPRD Circular Letter No. 26 – Micro finance Institutions are now allowed to avail financing from Banks/DFIs under the MCGF
- SBP issues handbooks on Islamic SME Financing and Islamic Banking Products and Services. It is available at **http://www.sbp.org.pk/ibd/pdf/Handbook-(iSME).pdf**

FBR Update

- Circular no 6 – Clarification of Amendments in sub section (6) of Section 153 of the Income Tax Ordinance 2001, brought through Finance Act 2009. The position for services rendered by the corporate sector remains unchanged even after the recent amendments

Local News Brief

- Industrial Relations Ordinance 1969, Industrial Relations Act 2002 and IRA 2008 are being deliberated for striking agreements towards a new draft of labour policy which is likely to be legislated by 2010
- KSE /N-4403 includes a list of margin eligible securities which are acceptable as collateral for all markets
- Compulsory for importers to declare packing lists and invoices inside the containers for clearance of imported consignments to check misdeclaration and under invoicing of import cargo
- KSE N/4451 – Effective from 1 October 2009 UINs (Client) Level Margining System will be operational on Post Trade basis for the ready market
- UAE Central Bank will set up a new 11 bank panel for the inter bank offered rate with extra local banks and two fewer international lenders
- Banking and Non banking finance companies have been allowed to compute advance tax liability on the basis of actual business turnover
- KSE/N-4632 – Extension granted for submission of Certificate of Net Capital Balance – now due before 30 September 2009
- FBR told not to add Non Performing Loans for tax on banks' income – BR 12/09/09

World News Brief

- **Executives are increasingly optimistic, still cautious about economic growth**
  Continuing a trend that began in the second quarter, economic optimism among CPA financial executives has improved again in the third quarter, according to survey results released. Nearly 40% of respondents said they were optimistic or very optimistic about the economic prospects for their organization over the next 12 months; 29% indicated they were very pessimistic or pessimistic

- **Economic data show recovery will be bumpy**
  Conflicting economic data suggest the recovery is anything but smooth. Most recently, stock market rallies and positive manufacturing data were offset by higher-than-expected jobless claims. Also threatening a steady recovery is reluctance by consumers to spend.

- **Accounting Standards Board moves decisively to end U.K. GAAP**
  The U.K.'s Accounting Standards Board has released the draft version of a policy that would lead to a future where "UK GAAP will cease to exist," Mario Christodoulou writes. The ASB is an operating body of the Financial Reporting Council, an independent regulator in the U.K. The paper is the first step toward achieving that objective.

- **South Africa adopts IFRS for SMEs – first country to do so**
  The Accounting Practices Board of the South African Institute of Chartered Accountants voted to issue the IFRS for SMEs as a South African **Statement of GAAP: IFRS for SMEs** for use immediately. The original text of the IFRS for SMEs was adopted without any change. When an auditor issues an audit report on an entity applying the new South African standard, the audit report will identify the accounting framework as the International Financial Reporting Standard for Small and Medium-sized Entities. All entities that fall within the scope of IFRS for SMEs (ie, entities that are not publicly accountable) can use the new standard. By this action, South Africa has become the first country in the world to adopt the IFRS for SMEs, which was issued by the IASB on 9 July 2009. All companies listed on the Johannesburg Stock Exchange are required to use full IFRSs.

- **CESR publishes summaries of IFRS enforcement decisions**
  The Committee of European Securities Regulators (CESR) has published its sixth batch of extracts from its confidential database of enforcement decisions taken by EU national enforcers of financial information. From time to time, CESR publishes extracts of selected decisions as a source of information to foster appropriate and consistent application of IFRSs in the EU. Topics covered in batch # 6 of CESR's extracts:

  - Impairment of Available-for-Sale Equity Instruments
  - Accounting Policies for Impairment of Available-for-Sale Financial Assets
  - Impairment of Available-for-Sale Financial Assets
  - Cash Flow Statements
  - Classification and Valuation of Written Puts on Minority Interests
  - Disclosure of Key Management Personnel Compensation and Related Party Transactions with Key Management
  - Contingent Liabilities
  - Disclosures Regarding Share Capital

- **IVSC proposal on valuing investment property**
  The International Valuation Standards Council (IVSC) has invited comment on an exposure draft (ED) of a Proposed Guidance Note *The Valuation of Investment Property under Construction*. Comments are requested by 31 October 2009. The guidance comes in response to a change in the scope of IAS 40 *Investment Property* that was made by the IASB in May 2008 as part of its Annual Improvements Project. The scope of IAS 40 was broadened, effective January 2009, to include property under construction or development for future use as an investment property. Such property previously fell within the scope of IAS 16. As a result, entities reporting under IFRSs now have to account for investment property under construction in the same way as other investment property

- **FASB proposes fair value disclosures for 2009**
  The US Financial Accounting Standards Board (FASB) has issued an exposure draft (ED) of a proposed Accounting Standards Update intended to improve disclosures about fair value (FV) measurements. Proposed new and revised disclosures include:

  1. Effect of reasonably possible alternative Level 3 measurements (measurements based on unobservable inputs) that could increase or decrease FV significantly – sometimes called sensitivity disclosures
  2. Transfers of assets or liabilities among Level 1, 2, and 3 measurements
  3. Information about gross purchases, sales, issuances, and settlements of assets or liabilities whose FV is measured using a Level 3 FV measurement
  4. Disaggregated disclosures of FV for each class of assets and liabilities
  5. Valuation techniques and inputs used to measure FV using Level 2 and 3 measurements

  The proposed disclosures are similar to those already required by IFRS 7 *Financial Instruments: Disclosures*. With the exception of the sensitivity disclosures (item 1 above), the new disclosures would be required for interim and annual reporting periods ending after 15 December 2009. The Level 3 sensitivity disclosures would be effective for interim and annual reporting periods ending after 15 March 2010. FASB's deadline for comments on the proposals is 12 October 2009.

- **CReCER CONFERENCE**
  The 3rd CReCER (Spanish acronym for Accounting and Accountability for Regional Economic Growth) Conference will take place September 23–25 in São Paulo, Brazil. The event is being hosted by IFAC, the World Bank, and the Inter-American Development Bank, along with the support of the six largest global accounting networks: BDO International, Deloitte Touche Tohmatsu, Ernst & Young Global Limited, Grant Thornton International Ltd, KPMG International, and PricewaterhouseCoopers International. The main objective of CReCER is to create greater awareness of the importance of sound financial reporting and auditing for the development of a well-functioning market economy and of an efficient public sector. CReCER 2009 will provide specific perspectives on the global financial crisis. To learn more, please see the CReCer 2009 website: **http://www.creceramericas.org/home.**

- The World Bank has issued a report: Doing Business: An Independent Evaluation. It may be accessed at **http://siteresources.worldbank.org/EXTDOIBUS/Resources/db_evaluation.pdf**