The Institute of Chartered Accountants of Pakistan

e Technical Update

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IASB Update

Change in effective date of restructured IFRS 1

In its December 2008 meeting the IASB decided to **change the effective date** of revised IFRS 1 First-time Adoption of International Financial Reporting Standards (published in November 2008) from 1 January 2009 to 1 July 2009.

Exposure Drafts

The following exposure drafts and discussion paper were issued by the IASB:

Additional disclosures for Investments in Debt Instruments (Proposed Amendments to IFRS 7 - Comments Due Date: 15 January 2009)

On 23 December 2008, the IASB published for public comment, an Exposure Draft: Investments in Debt Instruments (Proposed amendments to IFRS 7)**.** The proposals include to require entities to provide additional disclosures on all investments in debt instruments, other than those classified in the fair value through profit or loss category. The proposal, in the form of proposed amendments to IFRS 7 Financial Instruments: Disclosures, would require an entity to state in tabular form the fair value, amortised cost and amount at which the investments are actually carried in the financial statements. The amendments would also require an entity to disclose the effect on profit or loss and equity if all debt instruments had been accounted for at fair value or at amortised cost.

Embedded Derivatives (Proposed Amendments to IFRIC 9 and IAS 39 - Comments Due Date: 21 January 2009)

Following the issuance of Reclassification of Financial Assets in October 2008 (Amendments to IAS 39 and IFRS 7 Financial Instruments: Disclosures), some constituents alerted the Board to a possible problem with respect to IFRIC 9. The Board was requested to consider amending IFRSs to prevent any practice developing whereby, following reclassification of a financial asset, embedded derivatives that should be separately accounted for are not.

The exposure draft proposes amendments that would require:

(a) an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category.

(b) the assessment to be made on the basis of the circumstances that existed when the entity first became a party to the contract.

(c) if the fair value of an embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid financial instrument must remain in the fair value through profit or loss category.

ED 10 (Consolidated Financial Statements - Comments Due Date: 20 March 2009)

On 18 December 2008, the IASB published for public comment, an exposure draft: ED 10 Consolidated Financial Statements.

The proposals are to strengthen and improve the requirements for identifying which entities a company controls. They form part of the IASB's comprehensive review of off balance sheet activities and respond to the recommendations contained in a report published in April 2008 by the Financial Stability Forum (FSF), the international body tasked with co-ordinating the global regulatory response to the credit crisis. Further proposals, covering the derecognition of assets and liabilities, are due to be published in the first quarter of 2009.

The Exposure Draft proposes a single definition of control for all entities, and provides guidance on how to apply that definition in particular situations that have been found difficult when applying IAS 27 and SIC-12. As a consequence it is expected that entities will be consolidated on a more consistent basis, making the financial statements of groups more comparable and understandable.

Discussion Paper: (Preliminary Views on Revenue Recognition in Contracts with Customers - Comments Due Date: 19 June 2009)

On 19 December 2008, the IASB published for public comment, a discussion paper: Preliminary Views on Revenue Recognition in Contracts with Customers, setting out a joint approach for the recognition of revenue.

Revenue is an important number to users of financial statements in assessing a company's performance and prospects. However, revenue recognition requirements in US generally accepted accounting principles (GAAP) differ from those in International Financial Reporting Standards (IFRSs) and both are considered in need of improvement.

The requirements in US GAAP comprise numerous standards—many are industry-specific and some can produce conflicting results for economically similar transactions. Although IFRSs contain fewer standards on revenue recognition, its two main standards have different principles and can be difficult to understand and apply beyond simple transactions.

This discussion paper aims to introduce a single contract based revenue recognition model. As a result it is expected that entities will recognise revenue more consistently for similar contracts regardless of the industry in which an entity operates.

Should members wish to comment on the above listed exposure drafts and discussion paper, the same may be forwarded to Director Technical Services (asif.iqbal@icap.org.pk) before the due date. Appropriate CPD credit will be given for research articles provided.

IASB Strategy for Global Financial Crisis

The IASB announced further steps taken and plans made in response to the current global crisis. They follow the recommendations made by the G20 leaders. These are outlined below:

- **Improved accounting for off balance sheet items:** On 18 December, the IASB published proposals to strengthen and improve the requirements for identifying which entities a company controls. Further proposals on off balance sheet items, covering the derecognition of assets and liabilities, are due to be published towards the end of the first quarter of 2009, consistent with the G20 target date of 31 March 2009.

- **New disclosure requirements related to impairment** : The IASB and US Financial Accounting Standards Board (FASB) are both proposing changes in disclosure requirements for impairments to arrive at a common outcome. The proposals will enable companies to disclose the profit or loss that would have been recorded if all financial assets (other than those categorised at fair value through profit or loss) had been measured using amortised cost (ie using an incurred cost model) or all had been measured using fair value.

- **Acceleration of efforts to address broader issues of impairment on a globally consistent basis** : Both the IASB and the FASB, whose respective standards have different impairment requirements, have asked their staff to consider together how existing requirements relating to reversals of impairment losses might be changed, and to report back to the boards in the next month. The boards will also address the whole question of impairment as part of an urgent broader project in 2009, and this will also be a topic for consideration by the Financial Crisis Advisory Group (FCAG).

- **Ensuring consistent treatment of accounting for particular credit-linked investments between US Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRSs)** : Some stakeholders have called for the need to clarify any possible difference in the accounting treatment between IFRSs and US GAAP. The FASB is planning to issue mandatory implementation guidance, and will publish the draft guidance shortly. The guidance will ensure consistency between IFRS and US GAAP—an objective supported by G20 leaders.

- **Ensuring embedded derivatives are assessed and separated if financial assets are reclassified** : Following requests from some stakeholders at the recently convened FASB-IASB round tables, the IASB published an exposure draft relating to embedded derivatives. Participants in the round tables asked the IASB to act in order to prevent any diversity in practice developing as a result of the amendments made to IAS 39 Financial Instruments in October 2008 to permit the reclassification of particular financial assets.

- **Considering fully other issues related to financial instruments, including the fair value option, raised at the recent series of round tables in London, New York, and Tokyo**: Round-table participants supported reconsideration of the fair value option alongside a broader reconsideration of the classification categories. At the same time, almost all the users of financial statements at the round tables said that permitting reclassification out of the fair value option now, without proper consideration of all the issues, would not improve financial reporting or enhance investors' confidence in financial markets—reclassifications out of the fair value option would permit losses to be hidden. Both boards find the views of those user participants compelling and believe that any change in the fair value option should be made only as part of a broader examination of accounting for financial instruments.

Indeed, participants saw an urgent need for such a broader examination by the IASB and the FASB of the role of fair value measurement for financial instruments, including the issues of improving the impairment requirements, classification issues, the fair value option, and transfers between the categories. The boards have agreed to fast track this urgent project, which could involve significant changes to IAS 39 and the relevant US standards. Given the urgency of the matter, the boards' intention is to work to finish this project in a matter of months rather than years.

IFAC/IAASB News

New IFAC Paper Highlights Roles of Regulators and Profession in Standard-Setting Process

A policy position paper released on 12 December 2008 by the IFAC describes and explains the international standard-setting process, particularly for International Standards on Auditing (ISAs). The paper, *International Standard Setting in the Public Interest*, explains how responsibility is shared between public and private sector organizations to produce high quality standards that are in the public interest. The paper identifies the underlying principles of legitimacy, independence, accountability, transparency and performance that are key to a successful standard-setting process, and it describes how the structures and processes of the independent standard-setting boards in the areas of international auditing, ethics and accounting education are consistent with these principles.

International Standard Setting in the Public Interest may be downloaded from: **http://www.ifac.org/Store/**.

IAASB Nears Finalization of the Clarity Project with the Issuance of Eight Standards

The IAASB moved closer to completion of its Clarity Project with the release of seven clarified International Standards on Auditing (ISAs) and one clarified International Standard on Quality Control (ISQC), following the consideration and approval by the Public Interest Oversight Board (PIOB) of the due process. To date, the IAASB has released 29 final redrafted ISAs and one final redrafted ISQC in the new clarity style.

Titles of the newly issued standards are as follows:

International Standard on Quality Control (ISQC) 1 (Redrafted), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

- ISA 220 (Redrafted), *Quality Control for an Audit of Financial Statements*
- ISA 500 (Redrafted), *Audit Evidence*
- ISA 501 (Redrafted), *Audit Evidence—Specific Considerations for Selected Items*
- ISA 505 (Revised and Redrafted), *External Confirmations*
- ISA 520 (Redrafted), *Analytical Procedures*
- ISA 620 (Redrafted), *Using the Work of an Auditor's Expert*
- ISA 710 (Redrafted), *Comparative Information—Corresponding Figures and Comparative*
- *Financial Statements*

The PIOB has also considered and approved the due process of four additional ISAs that were approved by the IAASB at its September 2008 meeting. However, in finalizing ISA 210 (Redrafted), *Agreeing the Terms of Audit Engagements*, the IAASB approved conforming amendments to the following four reporting standards:

- ISA 700 (Redrafted), *Forming an Opinion and Reporting on Financial Statements;*
- ISA 800 (Revised and Redrafted), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks;*
- ISA 805 (Revised and Redrafted), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement;* and
- ISA 810 (Revised and Redrafted), *Engagements to Report on Summary Financial Statements.*

The IAASB agreed that these four ISAs will be issued only after the PIOB has considered and approved the due process applied to ISA 210 (Redrafted), which is expected in February 2009. The IAASB recognizes that the four reporting standards present fewer implementation challenges than other ISAs, and so the interest in issuing a final text including conforming changes outweighs the desire to make them immediately available.

In addition to ISA 210 (Redrafted), the IAASB approved new ISA 265, *Communicating Deficiencies to Those Charged with Governance and Management*, and ISA 402 (Revised and Redrafted), *Audit Considerations Relating to an Entity Using a Service Organization*. Subject to PIOB approval, these ISAs will be released in March 2009. The IAASB has also agreed to changes in the approved clarified ISAs as a result of a review for consistency and other matters of clarity; they will be made available on the IAASB's website in early 2009.

The IAASB considers that, with its approval of the final three ISAs (subject to PIOB approval) and its review of consistency, its work in redrafting its international standards under the Clarity Project is now complete.

The complete set of clarified ISAs will be effective for audits of financial statements for periods beginning on or after December 15, 2009. The ISAs can be downloaded from: **http://www.ifac.org/store**.

SECP Update

- Section 95A of the Companies Ordinance, 1984 amended enabling listed companies to buy back their own shares and hold as treasury shares. (Press Release dated January 9, 2008)
- Asked all issuers of privately placed debt instruments to provide details about size, type and nature of their instruments (Circular No.27/2008 dated December, 2008)
- Additional conditions introduced for grant of licence to associations not for profit under Section 42 of the Companies Ordinance, 1984 (Circular No. 29/2008 dated December 24, 2008)
- Group Companies Registration Regulations, 2008 promulgated to provide a regulatory framework for the formation of group companies (SRO. 1307(I)/2008 dated December 31, 2008)

- Methodology for valuation of debt securities and provisioning criteria for non-performing debt securities for Collective Investment Schemes, issued. (Circular No. 1 dated January 6, 2009)

- Road map for demutualization of Stock Exchanges unveiled

- With effect from 10 January 2009, the value of debt securities held by Collective Investment Schemes (CIS) shall be determined in accordance with the methodology prescribed by SECP (Press Release dated January 9, 2009)

SBP Update

- Provisioning of bad loans increased to Rs 228 billion in the banking sector (up until 30 September 2008)

- For Micro Finance banks following liabilities will be exempted from maintenance of Statutory Liquidity Requirement: (BSD Circular 31, dated December 17, 2008)

  (i) Borrowings from SBP (if any)
  (ii) Call Borrowings and other Inter-bank borrowings from Scgeduled Banks (including Micro Finance Banks)

- Pakistan Microfinance Credit Guarantee facility introduced to facilitate and promote channelisation of funds from banks/DFIs to MFBs/MFIs

- Tele-Transaction(TT) to be allowed from January for the moneychangers. Copy of CNIC of money transferor to be kept if Rs 100,000 or more is exchanged. If TT is more than $10,000, SBP would have to be informed

- Banks/DFIs may reclassify their investment in equities, TFCs and Sukuks from Held to Maturity (HTM) given the current market conditions. Prior approval from SBP must be obtained. (BSD Circular 7, dated December 30, 2008)

- Draft New SBP Act issued; Draft Deposit Protection Fund Act introduced; Draft Banking Companies Amendment Act issued; Draft Banking Act 2009 introduced

- All banks/DFIs are required to submit annual statements on calculation of their Capital Adequacy Ratios under Basel II, on a consolidated as well as stand alone basis, duly certified by the external auditors. Statements should be submitted within 3 months from the close of the accounting year. (BSD Circular 1, dated January 6, 2009)

- Revision of Institutional Risk Assessment Framework (IRAF) to improve objectivity and conciseness. Scope of IRAF enlarged and 2 new sets of questionnaires introduced. One relating to Prudential Regulations for Agricultural Financing and the other regarding Shariah Compliance of Islamic Banks. All financial institutions are required to submit updated questionnaires by 14 February 2009. All financial institutions are required to submit updated questionnaires by 14 February 2009.

FBR Update

- Sales Tax Rules 2006 amended (SRO-01 (I) - 07 (I) dated January 9, 2009

Technical Advisory Committee Opinions

Measurement of Value of Dairy Stock

Enquiry

Background

A Company is engaged in the business of manufacturing, processing and selling dairy food products. The Company is to import dairy cattle from Australia and has also planted fodder/ crops mainly as feedstock for the dairy cattle.

The dairy cattle as well the crops fall under the definition of biological assets, the recognition and measurement (valuation) thereof for accounting purposes have been discussed in International Accounting Standard 41 – Agriculture.

However, as there is no active market (formal/organized) for dairy cattle in Pakistan, even of local breed let alone that of Australian, the Company would like to confirm the accounting policy that it has formulated in the light of IAS – 41 for adoption, from the technical committee of ICAP.

An analysis of the options/alternatives discussed in the IAS – 41 is as follows:

Options available to an entity in the absence of an active market

The following methods for determination of fair value, as an approximation thereof in the absence of an active market, has been prescribed in paragraph 18 of IAS 41, if such data is available:

a) *the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date;*

b) *market prices for similar assets with adjustment to reflect differences; and*

c) *sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.*

In addition to the above, paragraph 20 and 21 of IAS - 41, in certain circumstances, also allows the discounted cash flow method:

Para 20:
In some circumstances, market-determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate in determining fair value.

Para 21:
The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. An entity considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. The present condition of a biological asset excludes any increases in value from additional biological transformation and future activities of the entity, such as those related to enhancing the future biological transformation, harvesting, and selling.

Assessment of each option

a) **use of the most recent market transaction price**
The Company is of the view that this option is not suitable, as currently there are very limited willing buyers locally, if any, of the Australian breed and the fact that the data for such transactions are not readily available, not to mention the reliability thereof. Further, the Company believes that no one will sell its biological assets, imported by it, under the normal circumstances i.e. when the asset is in good healthy condition and is producing milk as per the required / expected standards. In these circumstances, it would be difficult to substantiate or accept the transaction price which could well be that of 'unwanted' assets, as a basis to determine fair value of assets held by the Company in good condition.

b) **market prices for similar assets adjusted to reflect differences**
Keeping in view the Company's specific situation and the dairy cattle market in Pakistan, this method seems more appropriate than others. With some modifications as more fully explained in the following paragraph, this is our recommended method.

c) **sector benchmarks such as the value of cattle expressed per kilogram of meat**
We consider that this option is not an appropriate method for determination of fair value of biological assets being maintained by the Company to produce milk. This method is appropriate for consumable assets (e.g. beef cattle or crops for harvest say wheat), as opposed to bearer assets (e.g. dairy cattle or fruit trees).

d) **discounted cash flow method**
This method, however, is not mentioned in IAS 41 – para 18 but only in para 20 as a method only to be used to determine a fair value if there is no market at all which can be used as a point of reference. In other words, IAS - 41 makes it clear that it is preferable to use one of the methods in para 18 before defaulting to the last available valuation method i.e. DCF.

Given that there are considerable active markets for dairy cattle/biological assets across the globe, we believe it would not be appropriate to estimate a fair value solely on the basis of a discounted cash flow calculation. However, a discounted cash flow calculation may prove a useful tool to support any fair value estimated using alternative valuation methods described earlier.

Company View

Based on the discussion/analysis of the various methods available considering that there is no active market in Pakistan, in our view a modified method, as explained below, which would basically fall with the boundaries of one of the preferred method stated in para 18(b), Market prices for similar assets adjusted for differences, would be appropriate.

IAS - 41 prefers that the fair values be representative of an active market as much as possible, if not the actual market price itself. Therefore, as there is an active market of the Company's cattle in Australia, it would be appropriate for the Company to use the price quoted in those markets as a reference point which then can be adjusted for factors such as difference in expected milk yield, fertility, estimated of residual value etc, of any, for maintaining these assets in Pakistan.

However, in this connection management should ensure that the appropriate number of independent quotations (say 3 to 5 quotations) is obtained from the active markets in Australia. Further, the quotations should be specific and cater to the individual class of each category of biological asset, showing values based on breed, age, number of lactations and other material specifications.

The Company's management is of the opinion that once the Australian breed settles in Pakistan there are no material differential factors i.e. the cattle is expected to perform in the local environment (milk yield and fertility) as they would in Australia, given that the right environment (management thereof) is provided to them.

Further, until such time as there is an active market in Pakistan, it may be reasonable to include the cost (transportation etc.) of bringing the asset to Pakistan in the fair value of the asset. This is because to give a reasonable approximation of what a market price in Pakistan might be. In other words one needs to consider at what price, the Company might sell the asset to another party in Pakistan, as there is a restriction on re-export out of Pakistan, so the only parties to whom the Company can sell the biological asset will be other parties within Pakistan. The Company should consider whether, if they made such a sale, they would charge on the costs of bringing the asset to Pakistan to their customer by increasing the sales price. Therefore, it may be reasonable to include the cost of bringing the asset to Pakistan in the fair value of the asset. This is supported by the fact that, until there is an active market in Pakistan, any other entity in Pakistan wishing to purchase cattle would have to either purchase it from entities currently operating (inclusive of transportation costs) or would have to incur the cost of purchasing cattle from the market in Australia plus the cost of transporting that cattle to Pakistan.

However, if an active market develops in Pakistan over the time, the valuation method should be changed to the prices quoted in that market.

Valuation of Fodder (Crops / Feed Stock)

IAS – 41 is applicable to biological assets (which includes trees, plants, bushes etc.) and to agriculture produce, which is the harvested product of the entity's biological assets. However, IAS – 41 does not apply to agriculture produce after the point of harvest and it is most likely that such agriculture produce which has been harvested will be inventory under the scope of IAS – 2 'Inventories'.

Para 17 of IAS - 41 requires that, 'If an active market exists for a biological asset or agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used.'

Further para 32 of IAS – 41 requires, 'In all cases, an entity measures agricultural produce at the point of harvest at its fair value less estimated point-of-sale costs. This Standard reflects the view that the fair value of agricultural produce at the point of harvest can always be measured reliably.'

As evident from the above, the agriculture produce at the point of harvest should be measured at the fair value, because there is a presumption in IAS – 41 that fair value of agriculture produce at the point of harvest can always be measured reliably. This can be done by the Company by obtaining quotes from the market for such fodder/feed stock at the point of harvest, which we understand are readily available, and valuing these accordingly.

However, there may be a case that there is a lack of an active market for partly grown fodder / feed stock and very few sales of part-grown fodder/feed stock i.e. there is no market based fair value available. In such cases, the Company should follow the discounted cash flow method for such partly grown fodder / feed stock. The crops / fodder being planted by the Company are mostly for use as cattle feed (internal consumption), and have a very short biological transformation and consumption cycle. Therefore these can be carried at cost rather then using the discounted cash flow method.

As stated earlier, once harvested, the crops fall outside the scope of IAS - 41 and are dealt with by IAS 2 - 'Inventories'. This means that the crops harvested and in hand as at year end would be measured at the lower of cost and net realizable value. The cost being the fair value less estimated point-of-sale costs at the point of harvest, as stated in para 13 of IAS -14 which states, 'Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less estimated point-of-sale costs at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories or another applicable Standard.'

Committee's View

Your attention is drawn to the following paragraph of IAS 41:

12 A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less estimated point-of-sale costs, except for the case described in paragraph 30 where the fair value cannot be measured reliably.

30 There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less estimated point-of-sale costs. Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.

Fair value versus cost

B13 The Standard requires an entity to use a fair value approach in measuring its biological assets related to agricultural activity as proposed in the DSOP and E65, except for cases where the fair value cannot be measured reliably on initial recognition.

From the above paragraphs it is clear that IAS 41 requires all the biological assets to be measured at fair value except in the circumstances where neither an active market exists nor the alternative estimates of fair value is reliable as referred to in the above paragraph 30 of IAS 41.

In view of the above the Committee is of the opinion that the method recommended in your enquiry for determination of fair value of dairy cattle may be considered as appropriate provided the fair value measured under the aforesaid method is not unreliable.

Local / International News

Local

- National Investment Trust launched the Rs 20 billion NIT State Enterprise Fund
- All regulators (except SBP) have been requested to pay 3% of their annual revenue to the Competition Commission of Pakistan for its budgetary support
- Upon removal of floor placed on prices of securities, actual VaR rates have been restored effective 15 December 2008. Whereby liquids scrips were shifted to illiquid scrips for the purpose of VaR calculation, they have been excluded from the calculation of VaR rates effective from 15 December 2008
- All listed companies are requested to submit a complete list of their shareholders as required under Listing Regulation No.21(2) of the Exchange, not later than 19 February 2009
- Major accounting and professional services firms KPMG, PricewaterhouseCoopers and Deloitte Touche Tohmatsu are getting ready to recruit 2,000 or more graduates each in China and Hong Kong in 2009, as well as a significant number of nongraduates. The firms expect the rising demand for professional advice on regulatory issues and taxation to more than compensate for the falloff in business from Chinese IPOs.

International

- In October, the International Accounting Standards Board amended its fair-value rules by permitting reclassification of certain financial instruments. The amendments were rushed into place in response to pressure from the European Commission. But a January 2009 report issued by the Committee of European Securities Regulators reveals that many banks decided not to use the eased accounting rule. The report states, “For the companies in the FTSE Eurotop 100 index almost two thirds of these companies did not reclassify any financial instruments in any of the categories.” (Reuters)
- U.S. Securities and Exchange Commission is sending out signals that it is going to take a hard look at whether companies are making complete and accurate disclosure of their liquidity and access to capital in securities filings. SEC staffers have suggested in speeches that companies will be required to demonstrate that they have analyzed the effect of the financial crisis on them. (CFO.com)
- The International Accounting Standards Board will implement rules in the second half of next year that will require banks to account for risky assets listed off of their balance sheets. The rules will take effect in the European Union and other countries. (The Guardian (London) / Reuters)
- A growing number of employers, hoping to avoid or limit layoffs, are introducing four-day workweeks, unpaid vacations and voluntary or enforced furloughs, along with wage freezes, pension cuts and flexible work schedules. These employers are still cutting labor costs, but hanging onto the labor.

- The IASB and the FASB proposed that banks be required to disclose in more detail profits and losses from financial instruments. The boards would require reporting of profits and losses from financial assets under two approaches: one based on market prices and the other as “amortized costs.” (Financial Times)

- Auditors are increasingly expressing doubts about the “discount rate” that companies use to calculate pension liabilities, warning that the widely used rate understates liabilities because it fails to reflect market volatility. Some companies are reporting a surplus in their pension funds while the value of stocks they hold has collapsed. (Financial Times)

- The U.S. economy shed 524,000 jobs in December as the unemployment rate climbed to its highest level since 1993. The 2.6 million jobs lost in 2008 marks the largest annual total since 1945. (Reuters)

- A new Audit Risk Alert, *Current Economic Crisis — Accounting and Auditing Considerations*, reviews the current economic crisis, highlights the legislative and regulatory actions taken in response, and discusses the accounting and auditing issues arising as a result of these events. These tough economic times have made accounting for transactions and auditing entities more challenging than ever. This alert helps CPAs identify the significant risks that may result in the material misstatement of financial statements. See AICPA website for further details.

- The Securities and Exchange Board of India (SEBI) says it will ask independent auditors to review the most recent quarterly and annual results of all the companies in the BSE Sensex Index, which has 30 constituents, and the S&P CNX Nifty Index, which comprises 50 companies on the rival National Stock Exchange.

  The review panel, for which SEBI is currently recruiting, will examine all the auditors’ working papers for these 80 companies, as well as looking at a random sample of results from other, smaller listed companies.

  SEBI says it hopes the review, which is expected to be completed by the end of February, will ‘boost investor confidence in the financial disclosures made by listed entities.’

  More regulatory measures are likely to follow in the coming weeks and months as the Indian government tries to ensure similar accounting scandals do not recur with such ease.