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This Update by the 'Research Department' of the Institute of Cost and Management Accountants of Pakistan aims at keeping our members, both practicing and employed, abreast with the developments taking place globally and nationally in the areas of management accounting, International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), exposure drafts issued by IFAC, IASB, SAFA etc as well as the policy changes made by regulating agencies in Pakistan.

Three new Financial Instruments Standards (IPSAS 28, 29 & 30) issued by IPSASB

The International Public Sector Accounting Standards Board (IPSASB) has issued three new standards that cover all aspects of accounting for and disclosure of financial instruments. These Standards are drawn primarily from IFRSs and address many public sector-specific issues:

1. **IPSAS 28, Financial Instruments: Presentation**, primarily draws on **IAS 32** and establishes principles for presenting financial instruments as liabilities or equity, and for offsetting financial assets and liabilities.
2. **IPSAS 29, Financial Instruments: Recognition and Measurement**, primarily draws on **IAS 39**, establishing principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items.
3. **IPSAS 30, Financial Instruments: Disclosures**, draws on **IFRS 7** and requires disclosures for loans described in IPSAS 29. It enables users to evaluate significance of the financial instruments in the entity's financial position and performance; the nature and extent of risks and how those risks are managed.

These IPSASs also address some key public sector issues, including financial guarantee contracts provided for nil or nominal consideration and concessionary loans. The standards are effective for annual financial statements beginning **1st January 2013**. To download the Standards, please click on the link: www.ifac.org/publications

IASB amends IFRS 1 on First time adoption of IFRS – adds IFRS Disclosure Amendment

The International Accounting Standards Board (IASB) has amended **IFRS-1 - First-time Adoption of International Financial Reporting Standards** to exempt first-time adopters of IFRSs from providing additional disclosures introduced in March 2009 by **Improving Disclosures about Financial Instruments (Amendments to IFRS 7)**. The amendment gives first-time adopters the same transition provisions that Amendments to IFRS 7 provides to current IFRS preparers. The amendment is effective on **1st July 2010**. For details, please visit: www.iasb.org

Public Sector Intangible Assets Standard (IPSAS-31) issued by IPSASB

The International Public Sector Accounting Standards Board (IPSASB) has issued a public standard titled **IPSAS 31 Intangible Assets** – which covers the accounting for and disclosure of intangible assets. It is primarily drawn from **IAS-38- Intangible Assets**. It also contains extracts from the **SIC-32 Intangible Assets-Web Site Costs**, adding application guidance and illustrations that have not yet been incorporated into the IAS. At this point, IPSAS 31 does not deal with uniquely public sector issues, such as powers and rights conferred by legislation, a constitution, or by equivalent means. The IPSASB will reconsider the applicability of the standard to these powers and rights in the context of its conceptual framework project, which is currently in progress. The IPSASB has also published **Improvements to IPSASs**, to conform with minor changes to IFRSs made by the IASB since the related IPSASs were originally released. For more details, please log on to www.ifac.org

IFAC 2009 Global Leadership Survey

Over 100 presidents and CEOs of IFAC member bodies responded to IFAC's **Third Annual Global Leadership Survey**. Key findings cover a wide-range of topics, including the need to support small and midsize businesses in the current environment and the increasing importance of adoption of international standards.

The participants of this Survey were of the view that IFAC should assist investors and other consumers of financial information in better understanding the standards and practices used by profession. This includes, in particular:

- (1) Building confidence in international standards
- (2) Developing and promoting adoption of high-quality international standards in auditing and assurance, public sector accounting, ethics, and education.

Majority of participants expressed confidence that international standards would increase in importance over the next three years and that auditing and financial reporting standards published by IFAC (IFRS, IPSASs and ISAs and IFRS for SMEs), will gain importance.

Mandatory Application of Cost Accounting Standards in India from April 2010

The Cost Accounting Standards (CAS) would become mandatory in India with effect from **1st April 2010**, requiring preparation and certification of General Purpose Cost Accounting Statements by the Companies.

As per announcement of the Institute of Cost and Works Accountants of India (ICWAI), in case the Cost Accountant is of the opinion that the aforesaid standards have not been complied with for the preparation of the Cost Statements, it shall be his duty to make a suitable disclosure/qualification in his audit report/ certificate". The Cost Accounting Standards are as under:

- CAS 1:** Classifications of Costs
- CAS 2:** Capacity Determination
- CAS 3:** Overheads
- CAS 4:** Cost of Production for Captive Consumption
- CAS 5:** Determine Avg. (Equalized) Cost of Transportation
- CAS 6:** Material Cost
- CAS 7:** Employee Cost
- CAS 8:** Cost of Utilities
- CAS 9:** Packing Material Cost
- CAS 10:** Direct Expenses

India adopts Plan for Phased Transition to IFRS-converged Indian Standards

The Ministry of Corporate Affairs of India has adopted a plan for phased transition to 'notified Indian standards that have been converged with IFRS' (notified standards) by listed and large Indian companies, other than banks and insurance companies. The companies in the following categories will not be required to follow the notified standards (though they may voluntarily opt to do so) but need to follow only the 'notified accounting standards that are not converged with the IFRS':

1. Non-listed companies with a net worth of Rs 500 crores or less and whose shares or other securities are not listed on Stock Exchanges outside India
2. Small and Medium Companies ('SMCs').

A separate roadmap for banking and insurance companies is expected to be published by the end of February 2010.

Azerbaijan extends use of IFRSs

The President of Azerbaijan has signed into law the 'non-bank credit organizations' act, which requires, among other things, that such organizations must prepare financial statements using International Financial Reporting Standards and implement corporate governance standards. Azerbaijani banks and major state-owned enterprises were already required to report under IFRSs.

SECP notifies circular for implementation of IFRS-4 by Insurance Industry in Pakistan

The Securities and Exchange Commission of Pakistan has issued a circular No. 4/2010 dated 23rd January 2010, wherein it has informed that on consideration of the request of the Insurance Association of Pakistan, it has agreed to defer the implementation of Paras 15, 20, 37(c) and 39 (c) for the 1st, 2nd & 3rd quarter accounts of 2009.

Insurance Industry has been directed by SECP to make full compliance with the requirements of IFRS-4 in the annual financial statements for year ending 31st December 2009. To facilitate the insurance industry, the SECP has also framed comprehensive guidelines as well as necessary disclosures required to be made in the "Notes to Financial Statements". For this purpose, separate guidelines are being issued by SECP for Life and Non-Life Insurance.

For more details, please log on to: www.secp.gov.pk

EFrag issues Paper on Definition of Asset

The European Financial Reporting Advisory Group (EFRAG) and ANC (French accounting standard setter) have jointly published a staff research paper on the proposed new definition of an asset, tentatively adopted by the IASB and FASB. The paper titled "**Pro-active Paper on the Definition of an Asset**" is intended to serve as input to the IASB in its deliberation on the development of the Conceptual Framework Phase B.

The **current definition** of an asset in the IASB Framework is "An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

The **proposed new definition** is "An asset of an entity is a present economic resource to which the entity has a right or other access that others do not have. To view or download the research paper, please click:

www.iasplus.com/europe/1001assetdefinitionpaper.pdf

Notifications issued by FBR

The following Notifications were issued by the Federal Board of Revenue (FBR) during **January 2010**:

S.R.O. Number	Brief Description
16(I)/2010 dated 07-01-2010	Making further amendment in the income Tax Rules 2002 with regard to computation of export profits
15(I)/2010 dated 06-01-2010	Making amendment in SRO 567 dated 5 th June 2006.