

## UPDATES ON TECHNICAL ISSUES –FOURTH QUARTER 2018

### Introduction

These updates on Technical Issues – Third Fourth 2018 cover a summary of updates/issues including International Standards on Auditing (ISAs), International Public Sector Accounting Standards (IPSASs), International Financial Reporting Standards (IFRSs) and NBAA Technical Pronouncements.

This document includes issues published in September, October and November (Inclusive) 2018.

### INTERNATIONAL STANDARDS ON AUDITING (ISAs)

#### Current Updates on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p><b>Exposure Draft - Proposed International Standard on Related Services 4400 (Revised) – Agreed-Upon Procedures Engagements</b></p>	<p><b>International Assurance and Auditing Standard Board (IAASB) has issued an exposure Draft of a proposed International Standard on Related Services 4400 (Revised) – Agreed Upon Procedures Engagements (AUP).</b></p> <p>As the current ISA 4400 was developed over 20 years ago and has not kept pace with the significant changes that have occurred in the business environment, in response to a call from stakeholders IAASB has revised it so as to address a number of issues including:-</p> <ul style="list-style-type: none"> <li>• Increased accountability around the use of funds and grants, and for AUP engagements on financial and nonfinancial subject matters.</li> <li>• Providing Clarity in the AUP Report</li> <li>• Reducing Inconsistency in the Performance of AUP Engagements</li> </ul> <p><b>For more information go to:</b>  <a href="http://www.ifac.org/system/files/publications/files/Proposed-ISRS-4400-Revised.pdf">http://www.ifac.org/system/files/publications/files/Proposed-ISRS-4400-Revised.pdf</a></p>	<p>The deadline for stakeholders' comments is on or before <b>15<sup>th</sup> March 2019.</b></p>

<p><b>ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures</b></p>	<p><b>International Assurance and Auditing Standard Board (IAASB) has issued an International Standard on Auditing 540 (Revised) on auditing accounting estimates and related disclosure and conforming and consequential amendments to other ISAs arising from ISA 540.</b></p> <p>The revision ensures that the standard continues to keep pace with the changing market and fosters a more independent and challenging skeptical mindset in auditors by:-</p> <ul style="list-style-type: none"> <li>• Addressing evolving audit risks relating to accounting estimates, due to a more complex business environment,</li> <li>• Addressing audit quality for accounting estimates and fostering improved exercise of professional skepticism,</li> <li>• Realizing public interest benefits through improved communication and transparent,</li> </ul> <p><b>For more information go to:</b>  <a href="https://www.ifac.org/system/files/publications/files/ISA-540-Revised-and-Conforming-Amendments_0.pdf">https://www.ifac.org/system/files/publications/files/ISA-540-Revised-and-Conforming-Amendments_0.pdf</a></p>	<p>Effective for audits of financial statements for periods beginning on or after <b>15<sup>th</sup> December 2019.</b></p>
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**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)**

**Current issues on IPSASs**

<b>PROJECTS/APPROVED STANDARDS</b>	<b>CHANGES</b>	<b>EFFECTIVE DATE</b>
<p><b>Amendments to IPSAS 2018</b></p>	<p><b>The International Public Sector Accounting Standards Board (IPSASB) has published a pronouncement related to amendments to IPSAS for 2018.</b></p> <p>The pronouncement deals with non-substantive changes to IPSAS through a collection of unrelated amendments, it has been divided into two parts, whereby:-</p> <p><b>Part I : General Improvements to IPSAS</b> Amendments included in this part arise from comments received from stakeholders.</p> <p><b>Part II: IFRS Alignment Amendments</b> The objective of this part is to make improvements to IPSAS in order to align with amendments to IFRS based on the IASB’s Improvements to IFRS projects, Narrow scope amendments projects, and Interpretations of the IFRS Interpretation Committee.</p> <p><b>For more information go to:</b> <a href="http://www.ifac.org/system/files/publications/files/Improvements-to-IPSAS-2018-Final.pdf">http://www.ifac.org/system/files/publications/files/Improvements-to-IPSAS-2018-Final.pdf</a></p>	<p>For annual financial statements covering periods beginning on or after the periods as prescribed in their respective amendments.</p>

<b>IPSAS – IFRS Alignment Dashboard</b>	<p><b>The International Public Sector Accounting Standards Board (IPSASB) has issued an updated IPSAS – IFRS Alignment Dashboard.</b></p> <p>The issuance of the dashboard aims at providing comparative information to critically show the extent of which IPSAS are aligned in relation to their corresponding IFRSS.</p> <p>The dashboard also shows a list of IPSAS which have no their corresponding IFRSs and whether or not the IPSASB has an intention to consider a prioritized project for them.</p> <p><b>For more information go to:</b>  <a href="https://www.ifac.org/system/files/uploads/IPSASB/Agenda%20Item%201.6%20IPSAS%20IFRS%20Alignment%20Dashboard_September%202018.pdf">https://www.ifac.org/system/files/uploads/IPSASB/Agenda%20Item%201.6%20IPSAS%20IFRS%20Alignment%20Dashboard_September%202018.pdf</a></p>	For your information
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### IPSAS applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<b>IPSAS 41 : Financial Instruments</b>	<p><b>The International Public Sector Accounting Standards Board (IPSASB) issued a new International Public Sector Accounting Standard 41 on financial instruments which replaces IPSAS 29: Financial Instruments: Recognition and Measurements.</b></p> <p>IPSAS 41 improves financial reporting for financial instruments, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between</li> </ul>	Effective for annual periods beginning on or after <b>1<sup>st</sup> January 2022</b> . Earlier application is permitted.

	<p>an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p> <p><b>For More information go to:</b>  <a href="https://www.ifac.org/system/files/publications/files/IPSAS-41-FinancialInstruments.pdf">https://www.ifac.org/system/files/publications/files/IPSAS-41-FinancialInstruments.pdf</a></p>	
<p><b>IPSAS 40 “Public Sectors Combination</b></p>	<p><b>The International Public Sector Accounting Standard Board (IASB) issued IPSAS 40 “Public Sectors Combination”</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public sector combination and its effects by establishing principles and requirement for how:-</p> <ul style="list-style-type: none"> <li>a) A reporting entity classifies a public sector combination as an amalgamation or an acquisition,</li> <li>b) A resulting entity recognizes and measures in its financial statements the identifiable assets received, the liabilities assumed and any non-controlling interest in an amalgamation,</li> <li>c) A resulting entity recognizes and measures components of net assets/equity and other adjustments recognized in an amalgamation,</li> <li>d) An acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation,</li> <li>e) An acquirer recognizes and measures the goodwill acquired in, or the gain or loss arising from an acquisition, and</li> <li>f) Any reporting entity determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a public sector combination.</li> </ul> <p><b>For more information go to:</b> <a href="https://www.ifac.org/system/files/publications/files/IPSASB-IPSAS-40-Public-SectorCombinations_0.pdf">https://www.ifac.org/system/files/publications/files/IPSASB-IPSAS-40-Public-SectorCombinations_0.pdf</a></p>	<p>Effective for annual periods beginning on or after <b>1<sup>st</sup> January 2019.</b></p>

<p><b>Revision of the cash basis IPSASs</b></p>	<p><b>The International Public Sector Accounting Standards Board (IPSASB) has issued a revised International Public Sector Accounting Standard on Financial Reporting under the Cash Basis of Accounting (The Cash Basis IPSAS).</b></p> <p>The revision are intended to overcome the major obstacles to adoption of the cash basis IPSAS, and establish a clear and achievable transition path to adoption of the accrual IPSASs. The revisions includes</p> <ol style="list-style-type: none"> <li>1. Relocation of consolidation requirement from part 1 to part 2,</li> <li>2. Simplification and relocation of disclosure requirement of information about external assistance and third part payments</li> <li>3. Other minor clarification and cosmetic changes</li> </ol> <p><b>For more information go to</b>  <a href="http://www.ifac.org/system/files/publications/files/CashBasis-IPSAS-2017.pdf">http://www.ifac.org/system/files/publications/files/CashBasis-IPSAS-2017.pdf</a></p>	<p>Effective for annual periods beginning on or after <b>1<sup>st</sup> January 2019</b>. Early adoption is encouraged.</p>
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**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**Current Updates on IFRSs**

<b>PROJECTS/APPROVED STANDARDS</b>	<b>CHANGES</b>	<b>EFFECTIVE DATE</b>
<p><b>Discussion Paper: Financial Instruments with characteristics of equity</b></p>	<p><b>The International Accounting Standards Board (IASB) has issued a Discussion Paper on how companies issuing financial instruments should classify them in their financial statements.</b></p> <p>With continuing financial innovation some companies find it challenging to classify some complex financial instruments that combine some features of both debt—liabilities—and ordinary shares—equity instruments which in return can result in diverse accounting in practice, which in turn makes it difficult for users to assess and compare companies’ financial position and performance.</p> <p>The IASB propose an approach that would:</p> <ul style="list-style-type: none"> <li>• provide a clear rationale for why a financial instrument would be classified as either a liability or equity without fundamentally changing the existing classification outcomes of IAS 32; and</li> <li>• enhance the information provided through presentation and disclosure.</li> </ul> <p><b>For more information go to:</b> <a href="https://www.ifrs.org/-/media/project/fice/discussionpaper/published-documents/dp-fice-june-2018.pdf">https://www.ifrs.org/-/media/project/fice/discussionpaper/published-documents/dp-fice-june-2018.pdf</a></p>	<p>The deadline for stakeholders’ comments is on or before <b>7<sup>th</sup> January 2019.</b></p>

**IFRSs which are applicable for the next coming years**

<b>PROJECTS/APPROVED STANDARDS</b>	<b>CHANGES</b>	<b>EFFECTIVE DATE</b>
<p><b>IFRS 16 “Lease”</b></p>	<p><b>The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 shall replace IAS 17 as well as IFRIC 4, SIC-15 and SIC-27.</b></p> <p>The following are some of the changes which have been made by the IASB to the IAS 17 which have been incorporated in IFRS 16. The standard:</p> <ul style="list-style-type: none"> <li>a. Requires lessees to recognize assets and liabilities for most leases.</li> <li>b. Set out principles that both lessees and lessors apply to provide relevant information about leases.</li> <li>c. Provides additional disclosure requirements</li> <li>d. Provides no significant modification to accounting for lessors.</li> <li>e. Set out single accounting model for all leases except for low value assets and short term leases</li> </ul> <p><b>For more information go to:</b>  <a href="http://eifrs.ifrs.org/eifrs/PdfAlone?id=16047&amp;sidebarOption=UnaccompaniedIfrs">http://eifrs.ifrs.org/eifrs/PdfAlone?id=16047&amp;sidebarOption=UnaccompaniedIfrs</a></p>	<p>For annual financial statements beginning on or after <b>1<sup>st</sup> January, 2019.</b></p> <p>Earlier adoption is encouraged.</p>
<p><b>IFRS 17 “Insurance Contracts”</b></p>	<p><b>The International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contract. The standard applies to all entities that issue insurance contracts.</b></p> <p>The standard provides consistent accounting for all insurance contracts</p> <ul style="list-style-type: none"> <li>a. Updated information about obligations, risks and performance of insurance contract</li> <li>b. Increased transparency in financial information reported by insurance companies</li> </ul> <p><b>For more information go to:</b> <a href="http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Pages/Implementation.aspx">http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Pages/Implementation.aspx</a></p>	<p>For annual financial statements beginning on or after <b>1<sup>st</sup> January, 2021.</b></p> <p>Earlier adoption is encouraged.</p>



**NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS**

**Current Technical Pronouncement**

<b>PROJECTS/APPROVED STANDARDS</b>	<b>CHANGES</b>	<b>EFFECTIVE DATE</b>
<p><b>Technical Pronouncement No.1 of 2018: Scope of applicability of IFRSs, IPSASs, IFRS for SMEs and Financial Reporting Standard for Micro entities (FRSME)</b></p>	<p><b>The National Board of Accountants and Auditors (NBAA) has issued a Technical Pronouncement No. 1 of 2018 on the scope of applicability of IFRSs, IPSASs, IFRS for SMEs and FRSME.</b></p> <p>The Technical Pronouncement describes criteria under which entities can clearly identify which accounting standards shall be applicable for them</p> <p>It also bring about a broader definition customized for the case of Tanzanian environment on which kind of entities are considered as Public Interest Entities and thus required to publish their financial statements for public use.</p> <p><b>For more information go to:</b> <a href="http://www.nbaa.go.tz/2018/october/techpro12018.pdf">http://www.nbaa.go.tz/2018/october/techpro12018.pdf</a></p>	<p>Technical Pronouncement will become effective for the periods beginning on or after <b>1<sup>st</sup> April, 2019.</b></p>