

UPDATES ON TECHNICAL ISSUES – FOURTH QUARTER 2019

Introduction

These updates on Technical Issues – Fourth Quarter 2019 cover a summary of updates/issues including International Standards on Auditing (ISAs), International Financial Reporting Standards (IFRSs), International Education Standards (IES), International Public Sector Accounting Standards (IPSAS) and the International Accounting Education Standards (IAES).

This document includes issues published in October, November and December (Inclusive) 2019.

INTERNATIONAL STANDARD ON AUDITING (ISAs)

Current Updates on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IAS 540 (Revised), Auditing Accounting Estimates and Related Disclosures	<p>The International Assurance and Auditing Standard Board has issued its final pronouncement on the reviewed IAS 540 on auditing accounting estimates and related disclosures.</p> <p>The revision ensures that the standard continues to keep pace with the changing market and fosters a more independent and challenging sceptical mindset in auditors by specifically updating the following important public interest issues.</p> <ul style="list-style-type: none"> a) Addressing evolving audit risks relating to accounting estimates, due to a more complex business environment, b) Addressing audit quality for accounting estimates and fostering improved exercise of professional scepticism, c) Realizing public interest benefits through improved communication and transparency <p>For more information go to: https://www.ifac.org/system/files/publications/files/ISA-540-Revised-and-Conforming-Amendments_0.pdf</p>	<p>For audits of financial statements for periods beginning on or after 15th December 2019.</p>

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft, Proposed Conforming Amendments to the IAASB's International Standards</p>	<p>The International Assurance and Auditing Standard Board has issued an Exposure Draft to conform to the revised IESBA Codes.</p> <p>The amendments are intended to update the IAASB Handbook (the Handbook) for the revised IESBA Code to address inconsistencies between the International Standards in the Handbook and the revised IESBA Code.</p> <p>The purpose of making the revisions is solely to align the extant wording with the revised IESBA Code and not to re-evaluate or discuss the merits of each reference, thus ensuring that the International Standards can continue to be applied effectively together with the revised IESBA Code.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/ISA-540-Revised-and-Conforming-Amendments_0.pdf</p>	<p>The deadline for stakeholders' comments is on or before 10th December 2019.</p>

INTERNATIONAL EDUCATION STANDARDS (IES)

Current issues on IESs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>IES 2, Initial Professional Development – Technical Competence (Revised)</p>	<p>International Accounting Education Standard Board has issued a revised IES 2 on initial professional Development – technical competence.</p> <p>This International Education Standard (IES) prescribes the learning outcomes for technical competence that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD) whereby it is defined that technical competence is the ability to apply professional knowledge to perform a role to a defined standard.</p> <p>The IES specifies the competence areas and learning outcomes that describe the technical competence required of aspiring professional accountants by the end of IPD.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAESB-IES-2-Technical-Competence.pdf</p>	<p>The standard is effective from 1st January 2021.</p>
<p>IES 3, Initial Professional Development – Professional Skills (Revised)</p>	<p>International Accounting Education Standard Board has issued a revised IES 3 on initial professional Development – Professional Skills.</p> <p>The IES prescribes the learning outcomes for professional skills that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAESB-IES-3-Professional-skills.pdf</p>	<p>The standard is effective from 1st January 2021.</p>

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>IES 4, Initial Professional Development – Professional Values, Ethics and Attitudes (Revised)</p>	<p>International Accounting Education Standard Board has issued a revised IES 4 on initial professional Development – professional values, ethics and attitudes.</p> <p>The IES prescribes the learning outcomes that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD) for professional values, ethics, and attitudes.</p> <p>Professional values, ethics, and attitudes are the characteristics that identify professional accountants as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of professional behaviour.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAESB-IES-4-Professional-values-ethics-attitudes.pdf</p>	<p>The standard is effective from 1st January 2021.</p>
<p>IES 8, Professional Competence for Engagement Partners Responsible For Audits Of Financial Statements (Revised)</p>	<p>International Accounting Education Standard Board has issued a revised IES 8 on professional competence for engagement partners responsible for audits of financial statements.</p> <p>The IES prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements</p> <p>It is the responsibility of the professional accountant performing the role of an Engagement Partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAESB-IES-2-Technical-Competence.pdf</p>	<p>The standard is effective from 1st January 2021.</p>

IES applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IES 7, Continuing Professional Development (Revised)	<p>International Accounting Education Standard Board has issued a revised IES 7 on continuing Professional Development IES 7.</p> <p>The standard prescribe the Continuing Professional Development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders , and thereby to strengthen public trust in the accountancy profession.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAESB-International-Education-Standard-7_0.pdf</p>	The standard is effective from 1st January 2020.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current issues on IPSASs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Long term interests in associates and joint ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendment to IPSAS 41)</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a final pronouncement of the amendment of IPSAS 36 and IPSAS 41.</p> <p>The amendments to IPSAS 36 and IPSAS 41, comprises:</p> <p>Part I: Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) whereby entities are required to apply IPSAS 41 financial instruments in an associate or joint venture to which the equity method is not applied; and</p> <p>Part II: Prepayment Features with Negative Compensation (Amendments to IPSAS 41). The classification requirements have been amended so that particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract are eligible to be measured at amortized cost or at fair value through net assets/equity.</p> <p>Amendments in Part I and II arise from consideration of the annual improvements and narrow scope amendments projects of the IASB of which the IPSASB concurred that there was no public sector specific reason for not adopting the amendments.</p> <p>For More information go to: https://www.ifac.org/system/files/publications/files/Amendments-to-IPSAS-36-and-IPSAS-41_0.pdf</p>	<p>Amendments are applicable for annual periods beginning on or after 1st January, 2022.</p> <p>Earlier application is permitted.</p>
<p>ED 69, Public Sector Specific Financial Instruments: Amendments to IPSAS 41, <i>Financial Instruments</i></p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft Public Sector Specific Financial Instruments, Amendments to IPSAS 41, Financial Instruments for comment.</p> <p>The ED provides guidance on how to account for a number of important categories of financial instruments that are unique to the public sector namely</p> <ul style="list-style-type: none"> • Monetary gold, 	<p>The deadline for stakeholders' comments is on or before 31st December 2019.</p>

	<ul style="list-style-type: none"> • Currency in circulation, • IMF quota subscriptions and • Special Drawing Rights. <p>The final guidance will ensure users of IPSAS-based financial statements have the information they need about these important items for accountability and decision making purposes.</p> <p>For More information go to: https://www.ifac.org/publications-resources/exposure-draft-69-public-sector-financial-instruments-amendments-ipsas-41</p>	
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IPSASs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>IPSAS 41 : Financial Instruments</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a new International Public Sector Accounting Standard 41 on financial instruments which replaces IPSAS 29: Financial Instruments: Recognition and Measurements.</p> <p>IPSAS 41 improves financial reporting for financial instruments, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf</p>	<p>Effective for annual periods beginning on or after 1st January 2022. Earlier application is permitted.</p>

<p>IPSAS 42, Social Benefits</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued IPSAS 42 on social benefits.</p> <p>The standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.</p> <p>It seeks to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. To accomplish this, IPSAS 42 establishes principles and requirements for:</p> <ul style="list-style-type: none"> • Recognizing expenses and liabilities for social benefits; • Measuring expenses and liabilities for social benefits; • Presenting information about social benefits in the financial statements; and • Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity <p>For More information go to: http://www.ifac.org/system/files/publications/files/IPSAS-42-Social-Benefits.pdf</p>	<p>Effective for the period beginning on or before 1st January 2022.</p>
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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

IFRSs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IFRS 17 “Insurance Contracts”	<p>The International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contract. The standard applies to all entities that issue insurance contracts.</p> <p>The standard provides consistent accounting for all insurance contracts</p> <ul style="list-style-type: none"> a. Updated information about obligations, risks and performance of insurance contract b. Increased transparency in financial information reported by insurance companies <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf</p>	<p>For annual financial statements beginning on or after 1st January, 2021.</p> <p>Earlier adoption is encouraged.</p>