New move to address Audit issues regarding IFRSs

To help auditors address reporting issues arising from the first-time adoption of International Financial Reporting Standards (IFRSs), the International Federation of Accountants, along with professional accountancy bodies, national standard setters, and audit firms, has prepared a series of key questions and answers in a document entitled *First Time Adoption of IFRSs — Guidance for Auditors on Reporting Issues*.

The 2005 adoption in European Union of IFRSs, and adoption of IFRSs in other countries, have given rise to requests for auditors to audit, review, or otherwise report on various forms of financial and non-financial information prepared by entities during their transition from previously applied national accounting standards to IFRSs.

"The new IFAC guidance includes detailed answers to common questions regarding the auditor's report on information related to an entity's IFRS transition," says IAASB Technical Director Jim Sylph adding that "it will assist auditors in addressing some of the issues related to IFRSs transition and contribute to greater consistency in audit practice." This publication may be downloaded free of cost from IFAC website at *http://www.ifac.org/Store/* (*www.ifac.org*)

IFAC adopts new Translation Policy

In an effort to encourage high-quality translations of IFAC standards and guidance and to assist organizations with that process, IFAC has adopted a policy statement that outlines the procedures to be followed. Although the official working language of IFAC is English, IFAC recognizes that it is important that preparers and users of financial statements, auditors, regulators, lawyers, academia, students and other interested groups in non-English speaking countries have access to the standards and guidance published by IFAC in their native language.

The purpose of this policy statement is to outline IFAC's policy with regard to translation of a selected group of standards and guidance issued by an IFAC board or committee and published by IFAC. It covers: (a) Responsibilities of the Translating Body, (b) Design and implementation of a translation process, (c) Translation of key words, and (d) Consideration of the Translating Body's translation process.

This policy statement also outlines IFAC's policy with regard to the consideration of an existing translation process. However, this policy statement does not apply when a Translating Body intends to translate: (a) Standards or guidance that do not fall in the group(s) of standards and guidance issued by an IFAC board or committee and published by IFAC; (b) One or more, but not all, the standards and guidance in a group of standards and guidance issued by an IFAC board or committee and published by IFAC or (c) Any other publication of IFAC. In the case of (a), (b) and (c) above, the Translating Body should obtain permission from IFAC to translate the individual standards or guidance.

The full text of the Policy is available at IFAC website www.ifac.org. (*www.ifac.org*)

AICPA panel proposes outsourcing disclosure rule

Professional Ethics Executive Committee of the American Institute of Certified Public Accountants is proposing a rule that would require Institute members to disclose to their clients the outsourcing of professional services.

The exposure draft, "Omnibus Proposal of Ethics Division Interpretations and Rulings," is available at *http://www.aicpa.org/members/div/ethics/ed_outsourcing.htm.*

The outsourcing of services has been a subject of serious debate by members of Congress, the media, and the state and federal regulators. AICPA Vice-President – Self Regulation Mr. Susan Coffey says: "Our proposed rule would clarify the AICPA's requirements for its members."

Currently, it is the decision of our members whether they wish to inform their clients that services may be outsourced, Coffey said. "However, the Institute's long-standing policy with regard to outsourcing is that our members are ultimately responsible for the quality of any work performed by a third-party provider." (*www.aicpa.org*)

UK's accountancy bodies go for strategic consolidation

Three of the leading accountancy bodies in Britain have announced plans for strategic consolidation so as to deliver broader and deeper member services, have more influence on Govt. and industry and ensure long term future of the profession for next generation of CAs.

The proposals aim to bring together the Chartered Institute of Management Accountants (CIMA), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Chartered Accountants in

England and Wales (ICAEW) to create an organisation with 200,000 members and a significant student base across a wide number of countries.

Strategic consolidation has so far received an 'in principle' yes from each of the governing Councils of the three Institutes. Formal proposals will be put to Councils in December this year with resolutions expected to be put to the members of all three bodies early to mid 2005. Subject to a positive mandate, permission will then be sought for a new Royal Charter.Recent independent strategic reviews by CIMA, CIPFA and ICAEW indicate that consolidation would act as a powerful accelerator to achieving common goals. (*www.icaew.co.uk*)

Panel to mull Basel II norms

The Reserve Bank of India (RBI) will set up a steering committee to implement Basel-II norms on capital adequacy by 2006. The roadmap will bring Indian banks at par with the best foreign banks. RBI will follow a consultative process while implementing Basel II norms and move in a gradual, sequential and co-ordinated manner in this regard. (*Business Standard*)

Commodity trading surges

In a first, one of the Mumbai's recently opened commodities exchange clocked a higher turnover than the 129-year-old Bombay Stock Exchange recently. Experts see it as a changing trend in the financial markets, where trading in pulses, oil and bullion keep pace with interest in current stock market favourites like Infosys or Reliance.

The multi Commodity Exchange (MCX) – which was set up barely two years ago – hit a record volume of Rs 1,645 crore on its trading platform as against Rs1,493 crore recorded on the BSE September 6. The MCX, which started trading in November 2003, offers 24 commodities on its platform for futures trading.

There has been 40-50 per cent growth in volume in the Commodities trading as more and more stockbrokers are switching over to commodities. A number of Corporate broking entities have also become active in the sector now. The commodities that yield the highest turnover are gold and silver (70%) and agri-commodities (30%), which include pulses and oils.

Currently, the National Commodity & Derivatives Exchange (NCDX), the National Multi Commodity Exchange (NMCE) and the MCX offer nationwide online trading platform to the trade in various commodities. Futures trading in physical commodities is a big market and business abroad. (*Indian Express*)

Norms on Govt Securities relaxed

The Reserve Bank of India has relaxed the norms governing the 'Government Securities'. The RBI particularly relaxed rules governing the investment portfolios of banks, in a move to cushion the balance sheets of these banks from huge losses following a recent spike in government bond yields. Effectively, RBI's new norms allow banks to defer booking paper losses on depreciation on their investment in government bonds. (*ENS Economic Bureau*)

New Foreign Trade Policy to boost services sector

The new Foreign Trade Policy announced by the Government recently has a slew of measures to boost earnings from services exports. These include a proposal to set up an export promotion council for the services sector. The new policy has also extended to services exports, most benefits enjoyed by exports of goods. Besides, it has some incentives for exports of services under 'Served from India' scheme. The government has included 161 services in the list, including software services, BPO, real estate, hospital and financial services.

Under this scheme, individual service providers who earn foreign exchange of at least Rs 5 lakh and other service providers who earn at least Rs 10 lakh will be eligible for a duty credit entitlement of 10% of total forex earned by them. *(Economic Times)*

India's forex rating up

The global rating agency Standard & Poor's has upgraded India's foreign currency rating. It revised India's "BB" long-term foreign currency rating to 'positive' from 'stable' based on the improving external position. The outlook on the "BB+" long-term local currency rating was also revised to stable from negative, S&P said. (*Business Times*)

Centre to facilitate merger of banks

The Finance Ministry will amend the Income Tax Act in the next Budget in order to give a push to legal amendments to facilitate banks going in for mergers and acquisitions.

In a review meeting with the bankers, Union Finance Minister Mr. P Chidambaram also said that the Government will not forcibly merge PSU banks but will favourably consider any such proposal. He also favoured PSU banks to tap the market and raise more capital. (*Indian Express*)