Private Sector Task Force of Regulated Professions and Industries Makes Recommendations to the G-20

The International Federation of Accountants (IFAC), has submitted, on behalf of the Private Sector Taskforce (PSTF), an update to the report *Regulatory Convergence in Financial Professions and Industries* ("2011 Report"), issued to the G-20 Deputies in September 2011. The PSTF strongly encourages the G-20 to implement all of the 15 recommendations presented in its 2011 Report with a strong emphasis on its first two recommendations, encouraging the G-20 to: (i) Continue to focus on regulatory convergence in the financial sector, ensuring that G-20 nations work together to identify and narrow gaps in regulatory practice; and (ii) Discourage nations from implementing unilateral national regulatory reforms that are inconsistent with international standards and that widen—rather than narrow—the convergence gap. In support of these recommendations, the update provides a discussion of matters that have arisen since the report was issued—including examples of where regulatory convergence has moved forward, such as the introduction of Legal Entity Identifiers (LEI), adoption of International Financial Reporting Standards (IFRS), and the adoption of International Standards on Auditing (ISAs). The update also notes examples where international regulatory arrangements have become more fragmented. The update includes additional recommendations regarding public sector financial management and reporting, transparency, and accountability. Over the last year this has been brought into greater focus as a consequence of the sovereign debt crisis, and growing global financial instability. Other important matters are identified which the taskforce suggests will require closer attention by the G-20 in 2013 and beyond. Coordinated by the International Federation of Accountants, the taskforce includes CFA Institute (CFA I); INSOL International; Institute of International Finance (IIF); International Accounting Standards Board (IASB); International Actuarial Association (IAA); International Corporate Governance Network (ICGN); International Insurance Society (IIS); and International Valuation Standards Council (IVSC).
(***Source:*** *http://www.ifac.org/)*

IPSASB Issues Exposure Draft 47-Financial Statement Discussion and Analysis

The International Public Sector Accounting Standards Board (IPSASB) has published *Exposure Draft (ED) 47, Financial Statement Discussion and Analysis*—a proposed new standard. The ED proposes minimum required content while still providing sufficient flexibility for entities to prepare and publish financial statement discussion and analysis that best portrays their specific circumstances. Because of the close link between financial statement discussion and analysis and an entity's financial statements, ED 47 proposes that the guidance be issued as an International Public Sector Accounting Standard (IPSAS) with the same authority as IPSASs concerning accrual-based financial statements; financial statement discussion and analysis be prepared and presented in conjunction with an entity's financial statements; and the qualitative characteristics governing preparation of financial statements be applied to financial statement discussion and analysis. ED 47 includes implementation guidance and an illustrative example that show how an entity might prepare its financial statement discussion and analysis to comply with the proposed requirements.
(***Source:*** *http://www.ifac.org/news)*

Study Questions Accounting for Asset Securitisation

The multi-trillion dollar asset securitisation market continues to have unresolved issues in the aftermath of the financial crisis, including how the assets are accounted for, and the credit risk assessments done by bond markets and credit-rating agencies, according to a new study. The research, in the current issue of *The Accounting Review*, published by the American Accounting Association, probes evaluations of the credit-worthiness of large bank holding companies and finds a marked difference between the way risk was assessed by the bond market on the one hand and a major credit-rating agency on the other. In its assessment of risk, the bond market took into account all asset-based securities issued by the banks in the three categories sampled by the study—those backed by residential mortgages, by consumer loans, and by commercial loans. In contrast, assessments by the credit-rating agency reflected only the small portion of issued securities that the banks retained in their own accounts, and did so only in the case of residential mortgages but not the other two types. The prior research suggests that credit ratings reflect not just considerations of risk but "the incentives of the credit-rating agencies," the study has little to say on allegations that conflicts of interest drove agencies to overrate sub prime mortgage-backed securities, conflicts stemming from the fact that companies being evaluated pay for the rating (generally after having been actively solicited for the business). But, it is being said that whatever the extent of the conflict of interest, the problems of the securitisation market go well beyond that. SPEs can be advantageous to investors as a protection against bankruptcy of the originating firm and as a means of diversifying risk among investors, who can have pay-offs tailored to their needs and their degree of risk aversion. But how asset securitisations should be treated for accounting purposes remains a matter of contention.
(***Source:*** *http://www.accountingtoday.com/)*

Shareholder Resolutions Focus on Environmental and Social Issues

Investors are continuing to challenge corporate boards to further improve their oversight and disclosure around topics such as environmental sustainability and social responsibility. A new study by one of the Big Four accounting firms found that for the third straight year,

environmental and social proposals lead the way among shareholder-sponsored resolutions on corporations' proxy ballots. Such proposals accounted for 40% of all shareholder resolutions on proxy ballots last year, up from 30% in 2010. The proposals are also garnering increased support among shareholders, at 21% of votes cast in 2011, compared to 18% in 2010. The number and types of shareholder resolutions that have been reaching proxy ballots actually represent only a limited aspect of investors' increasing engagement efforts, though. A significant number of proposals that are submitted to corporate boards are withdrawn and never voted upon as companies engage with shareholder groups in an effort to reach agreement ahead of the annual general meeting. The study found that companies are increasingly willing to enter into substantive dialogue with investors and other stakeholders and to take action, including by enhancing their disclosures around key issues. In response to the increasing popularity of shareholder resolutions on issues such as the environment and social responsibility, the firm recommends that members of corporate boards and management consider enhancing their shareholder engagement and improving their disclosure on key issue areas; ensure that directors' skills are relevant to the critical areas of stakeholder concern; and consider the use of sustainability-related measures in executive compensation practices as a way to help support broader corporate sustainability goals.
(***Source:*** *http://www.accountingtoday.com/*)

SME Implementation Group Publishes Two Final Q&As

The SME Implementation Group (SMEIG) recently published two question and answer documents (Q&As) on the *IFRS for SMEs*: (i) Application of 'undue cost or effort' -Q&A 2012/01 and (ii) Jurisdiction requires fallback to full IFRSs- Q&A 2012/02. These two final Q&As reflect the input that the SMEIG received on the publication of five draft Q&As in September 2011 (comment period closed in November 2011). After considering the public comments the SMEIG has decided not to issue final Q&As on three draft Q&As: (i) General Issue 1 - Application of the *IFRS for SMEs* for financial periods ending before the IFRS for SMEs was issued, (ii) Section 3 Issue 2 - Departure from a principle in the *IFRS for SMEs and* (iii) Section 3 Issue 3 - Prescription of the format of financial statements by local regulation. Q&As published by the SMEIG are non-mandatory guidance documents that will help those who use the *IFRS for SMEs* to think about specific accounting questions. They are not intended to modify in any way the application of full IFRSs.
(***Source:*** *http://www.ifrs.org/*)

Islamic Finance Called to Join Accounting Mainstream

The rapid growth of Islamic finance is increasing pressure on the industry to enter the accounting mainstream, by seeking guidance from the International Accounting Standards Board, the global body which sets the tone for bookkeeping in conventional finance. It would be a controversial move; by basing itself on religious principles, Islamic finance seeks to set itself apart from conventional finance. But some experts think the industry is becoming so big that it can no longer sit comfortably outside a trend towards harmonising accounting rules across the world as the whole thing about financial reporting around the world today is the global move towards a single comparable set of high-quality financial reporting standards. Most of the countries in which Islamic banks operate already use the IASB's International Financial Reporting Standards. But these standards have been developed for conventional finance, not Islamic transactions, in which interest and pure monetary speculation are banned and trades must be underpinned by physical assets. So there is the potential for conflict between Islamic finance and conventional accounting rules. For example, in order to earn returns but not contravene the ban on interest, Islamic banks buy an asset such as a house on behalf of a customer and lease it out until the customer is able to acquire ownership. Under current IFRS standards, accountants say, this would probably be treated as a financial lease, requiring the bank to record the lease as an interest-earning loan—in apparent contravention of sharia law. It is said that IFRS is all about substance over form whereas sharia law is very much about compliance with legal form. The solution, some experts say, is to have the IASB introduce standalone guidelines under its IFRS framework that are tailor-made for Islamic finance. These guidelines would ensure a uniform approach across the industry while blending with the IASB's standards for conventional finance.
(***Source:*** *http://www.accountingtoday.com/*)

IRS Offers Tax Practitioners Priority Service for Audits

The Internal Revenue Service is now giving tax professionals a priority phone number they can call when their clients are undergoing a Campus Correspondence Examination audit. The IRS said that tax professionals responding to Campus Correspondence Examination calls and correspondence can access the CCE Practitioner Priority Service, CCE PPS for short, by calling the PPS toll-free number and selecting the Correspondence Examination option. Additional prompts based on the telephone number on the letter that tax practitioners are calling about, will direct the call to the IRS's Small Business/Self Employed Examination or Wage & Investment Examination line. CCE PPS will address up to five clients per call and transfer or refer issues outside the CCE scope to the appropriate IRS functions. The PPS prioritises calls to improve tax professionals' experiences. The IRS cautioned on its Web site that the CCE PPS number is for tax professional use only.
(***Source:*** *http://www.accountingtoday.com/*)