

Incoming IFAC CEO Talks of Challenges to Profession

Fayez Choudhury, Incoming IFAC CEO, has said the global profession has one overarching, ongoing challenge: to ensure that accountancy remains a trusted profession. This concerns substantive issues—such as standard setting, independence, quality, and a clear demonstration of the public interest—as well as perception and communication issues—such as a lack of clarity about responsibilities and accountabilities. “As we know, there have been issues that caused trust to be eroded; in some cases, this was justified, and in some cases, it was not. It is incumbent on the profession to discharge our responsibilities and accountabilities effectively, but we should not be the target of blame when others have a more primary role,” he added in a recent interview published in IFAC Newsletter.

(Source: <http://www.ifac.org>)

IASB to Develop IFRS Guidance for ‘Micro-sized Entities

Very small companies are expected to receive IFRS financial reporting guidance tailored to their needs. The staff of the International Accounting Standards Board (IASB) will develop guidance to help so-called “micro-sized entities” apply *IFRS for Small and Medium-sized Entities (IFRS for SMEs)* in their financial reporting. The IASB staff will extract from the *IFRS for SMEs* only those requirements that clearly are necessary for most micro-sized entities. The principles for recognising and measuring assets, liabilities, income, and expenses will not be altered, but the guidance will include only the main principles relating to those requirements. The term “micro-sized entity,” is usually used when referring to entities with fewer than 10 employees. The micro guidance will contain cross-references to the *IFRS for SMEs* for issues that aren’t contained in the guidance booklet. A company that applies the guidance will be able to include notes to financial statements and auditor’s reports that refer to conformity with the *IFRS for SMEs* because there is no modification of principles. The SME Implementation Group will work with the IASB staff in developing the guidance, and will approve a final draft to be sent to the IASB for review.

(Source: <http://www.journalofaccountancy.com/News/20126128.htm>)

FASB Proposes Presenting Amounts Reclassified Out of Accumulated Other Comprehensive Income (OCI)

A new FASB proposal would require preparers of financial statements to present in one place information about the amounts reclassified out of accumulated other comprehensive income (OCI). FASB issued a Proposed Accounting Standards Update (ASU) for public comment. The board presented a plan to require a tabular disclosure that would present information in one place about the amounts reclassified out of accumulated OCI and provide a road map to related financial disclosures. The purpose of the proposal is to improve presentation for users of financial statements without creating significant costs to preparers. U.S. GAAP currently requires information about amounts reclassified out of accumulated OCI to be presented throughout the financial statements, so FASB does not expect preparers to incur significant costs if the Proposed ASU is approved. OCI includes gains and losses that initially are excluded from net income for an accounting period. Those gains and losses later are reclassified out of accumulated OCI into net income. The Proposed ASU is the result of a FASB cost/benefit analysis that originated last year. In June 2011, FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which was intended to increase the prominence of OCI in financial statements and facilitate convergence of U.S. GAAP and IFRS. Simultaneously, the International Accounting Standards Board (IASB) issued amendments to International Accounting Standard (IAS) 1, *Presentation of Financial Statements*. FASB noted that while it reached agreement with the IASB on how items of comprehensive income should be reported, differences between U.S. GAAP and IFRS remained. In December, FASB deferred the ASU No. 2011-05 requirement to present items that are reclassified from OCI to net income, in order to further evaluate the costs and benefits of the requirements. That deferral was issued in ASU No. 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income In Accounting Standards Update No. 2011-05*. The amendments in the ASU proposed recently provide different requirements on

how to present reclassifications out of accumulated OCI. FASB will decide on an effective date for the Proposed ASU after seeking public comment. The comment period ends Oct. 15. Information on how to offer feedback can be found on the FASB website.

(Source: <http://www.journalofaccountancy.com/News/20126249.htm>)

IAESB Proposes Revised Standard on Professional Development of the Audit Engagement Partner

The International Accounting Education Standards Board (IAESB) recently released for public exposure a proposed revision of International Education Standard (IES) 8, *Professional Development for Engagement Partners Responsible for Audits of Financial Statements*. The revised standard proposes the professional development requirements for both aspiring and current engagement partners on audits of financial statements. IES 8 is primarily aimed at IFAC member bodies, but will be of interest to employers, regulators, government authorities, educational organisations, and any other stakeholders who support the learning and development of professional accountants. The Board recognises the quality of an aspiring engagement partner's performance is dependent on professional development. Accordingly, the Board is proposing learning outcomes that demonstrate the professional competence required to become an engagement partner in areas relating to technical competence, professional skills, and professional values, ethics, and attitudes. IES 8 also recognises the professional development needed to foster and maintain professional competence for those currently serving as engagement partners, especially for those serving on audits involving more complex industries, operations, or reporting requirements. As part of its initiative to improve the clarity of its standards, the IAESB is redrafting all eight of its IESs in accordance with its new drafting conventions. Also related to the revision project on IES 8 are the proposed revisions of: IES 2, *Initial Professional Development – Technical Competence*; IES 3, *Initial Professional Development – Professional Skills*; IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes*; IES 5, *Practical Experience Requirements for Aspiring Professional Accountants*; and IES 6, *Assessment of Professional Competence*. Under the current timetable, the IAESB anticipates

that all IESs will have been revised and redrafted, or redrafted only, by the third quarter of 2013.

(Source: <http://www.ifac.org/news-events/2012-08/iaesb-proposes-revised-standard-professional-development-audit-engagement-partner>)

IAESB Proposes Revised Standards on the Development of Technical Competence and Professional Skills

The International Accounting Education Standards Board (IAESB) recently released for public exposure proposed revisions of International Education Standard (IES) 2, *Initial Professional Development—Technical Competence*, and International Education Standard (IES) 3, *Initial Professional Development—Professional Skills*. These revisions, part of the IAESB's project to improve the clarity of its standards, address the development of technical competence and professional skills by an aspiring professional accountant. IESs 2 and 3 will be helpful to educational organisations, employers, regulators, government authorities, and other stakeholders who support the learning and development of professional accountants. IESs 2 and 3, drafted in 2004, prescribe the knowledge content and the mix of professional skills aspiring professional accountants should acquire during initial career development. The revision of these IESs has focused on prescribing learning outcomes that demonstrate the competence required to become professional accountants. In addition to proposing an outcome-based approach to developing professional competence, the IAESB is also proposing requirements for IFAC member bodies to assess the achievement of technical competence and professional skills and to regularly review and update their professional accounting education programs to achieve learning outcomes identified in these standards.

As part of its initiative to improve the clarity of its standards, the IAESB is redrafting all eight of its IESs in accordance with its new drafting conventions. Also related to the revision project on IESs 2 and 3 is the proposed revision of IES 4, *Initial Professional Development—Professional Values, Ethics, and Attitudes*, released last month. Under the current timetable, the IAESB anticipates that all IESs will have been revised and redrafted, or redrafted only, by the third quarter of 2013.

(Source: <http://www.ifac.org/news-events/2012-08/iaesb-proposes-revised-standards-development-technical-competence-and-profession>)