



# ADAA IFRS digest

IFRS news, updates from ADAA, IASB and the Accounting Profession

February 2017

## WHAT'S NEW THIS MONTH

### ADAA's hot topics

*Vice Chair of IOSCO appointed Chair of Monitoring Board*  
*Changes to IAS 12, 23 and 28*  
*IFRS 9 may change again*  
*PWC IFRS News*  
*The ACCA's Culture Governance tool*  
*Hans and Sue hold a podcast.*  
*How can business and society at large trust financial statements?*

*Leases one year on – putting IFRS 16 into practice*  
*IFRS 2017 Red Book in Arabic*  
*KPMG IFRS newsletter The Bank Statement*  
*EY IFRS Publications*

*Deloitte IFRS e-learning modules available for free!*

And on the back page *A nugget of gold from the PAIB* - An insight from ADAA's Hasina Al Adawi.

## WHAT'S NEW FROM THE IASB?

The IASB is located in Cannon Street, London

*Vice Chair of IOSCO appointed Chair of Monitoring Board.* This may not seem important but don't forget it was IOSCO that agreed with the IASB it would promote IFRS to constituents of their capital markets. The Board monitors the activities of the IFRS Foundation Trustees, who monitor the IASB. Thus, IOSCO is separate from influencing the IASB but has a transparent view and can hold the IASB accountable for their actions. [link](#).

*Changes to IAS 12, 23 and 28.* The proposed amendments:

- *IAS 12* - the tax consequences of dividends accounted for in the same way, regardless how the tax arises.
- *IAS 23* – clarifies the borrowing costs capitalized as part of the cost of an asset.
- *IAS 28* - an entity applies IFRS 9 to long-term interests in associates or JVs for which it does not equity account. [link](#).

*IFRS 9 may change again.* A decade long story is not over yet. The IASB is considering to allow financial assets with symmetric make-whole prepayment options to be measured at amortized cost or FVOCI depending on the business model. Currently only a debt instrument with contractual cash flows that are solely payments of principal and interest are eligible. This proposed change may be issued before IFRS 9 is effective see [January 2017 IASB Update](#). Read agenda paper 12F [here](#).

*Hans and Sue hold a podcast.* Chair and Vice Chair of the IASB discuss IFRS 9 and 13 with a focus on disclosure requirements of the Fair Value standard. Because applying market reliable evidence is key. [link](#).

*How can business and society at large trust financial statements* if finance professionals do not act in line with accounting standards? IFAC promotes IFAA's report [Accounting and Ethics Pressure Experienced by the Professional Accountant](#). Accountants are under increasing pressure to have financial results conform with expectations of stakeholders. 32% of accountants when pushed agreed to an accounting treatment they deemed wrong. This included postponing expenses, incorrect valuation of inventories, and changing the nature of items for accounting purposes. Of the 32% virtually all subsequently left the organisation they were employed by. Read the full report [here](#).

*IFRS 2017 Red Book in Arabic.* Visit the IASB's [translation page](#).

*Leases one year on – putting IFRS 16 into practice.* The transition requirements of IFRS 16 range from simple least cost don't restate don't use historical data and accept a higher depreciation charge, to potentially costly full restatement. So what does the shareholder want? For long life assets the most difficult assessment for the lessee is determining the residual value ascribed by the lessor. More [here](#).

## WHAT'S NEW FROM THE ACCOUNTING PROFESSION?

Please turn the page for ADAA's monthly accounting insight...

*PWC IFRS News.* In this issue:

- Lose weight, get out of debt, learn something new, spend more time with family and friends, commit. 5 New Year resolutions every company should take on board.
- Demystifying IFRS 9.
- The IFRS 15 mole deals with accounting for free gifts, and
- The Lease lab considers what is substantive about substitution rights. [PWC IFRS News](#).

*The ACCA's Culture Governance tool.* Identifies behaviors that support or impede the achievement of organizational objectives. The challenge is how to nurture a culture that promotes behaviors consistent with organisational objectives. More from the ACCA [here](#).

*KPMG IFRS newsletter The Bank Statement.* In this issue:

- Spotlight on IFRS 9
- Demystifying adjustments for the cost of regulatory capital.
- How do you compare? Fair Value disclosures.
- Regulatory treatment of accounting provisions. [KPMG The Bank Statement](#).

*EY IFRS Publications.* Leasing for the Oil & Gas, and Engineering & Construction sectors. A closer look at the new revenue recognition standard. Just some of the publications from EY see more [here](#).

*Deloitte IFRS e-learning modules available for free!* Feeling a bit rusty, want to learn more on the new standards, go on line with Deloitte at [www.iasplus.com](#)



# ADAA IFRS digest

IFRS news, updates from ADAA, IASB and the Accounting Profession

February 2017

## A nugget of gold from the PAIB – an insight from ADAA’s Hasina Al Adawi

### Most people probably have not heard of the PAIB

PAIB is the acronym for the International Federation of Accountants (IFAC) Professional Accountants in Business Committee (PAIB). You are probably thinking ‘this is going to be boring’ I do not blame you, but trust me boring this will be not.

We often see the viewpoints of the Accounting Profession from the perspective of the Audit Firms. Our publications draws significantly from our research of the publications of the Audit Firms and the IASB. There is however another view, the view from the CFO.

The PAIB Committee Chairman is Charles Tilley and he has a very distinguished and interesting [bio](#). The PAIB’s publications and outputs you will find on their IFAC web page [Professional Accountants in Business](#). We have selected just one document from a number of excellent ones.

### The PAIB response to [Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits \(ITC\)](#)

In the covering letter Charles writes: *“At its recent meetings, the PAIB Committee discussed enhancing audit quality, in particular the preparer’s role (preparer includes those charged with governance and/or management and finance leaders in their finance and accounting functions). We recognize that since the financial crisis, serious questions are being asked of the audit profession, which is to be expected given the public interest dimension of audit quality. However, in making improvements to audit and assurance related standards and regulations, the IAASB should recognize that many of the issues that drove organizational failure or wrongdoing were not necessarily due to poor audit quality.*

*Instead, the failures and resulting impacts on financial statements were primarily the responsibility of those charged with governance, and executive management.*

*Consequently, we recommend that further development of audit and assurance related regulations and standards prioritize driving the right behavior among auditors, in particular their relationship and engagement with the organizations they audit (referred to as the audit client in the ITC).*

*The basis for changing standards should be the result of an empirical vetting of actual audit failures.*

*Changes should not be made to the audit because of governance and management failures. Doing so is, at best, simply an effort to appear to take action on a particular matter. At worst, it is a misdirected effort to influence governance and management practices indirectly through audit standards rather than directly through other means.”*

The PAIB’S observations are refreshing. We paraphrase in the next column some of their views on Enhancing Audit Quality.

### Recognising Enhancing Audit Quality is a shared responsibility

It is not solely the responsibility of the auditor. Awareness needs to be raised of the need for high quality audits critical in enhancing trust in business and financial markets to combat the commoditization of audit. Pressure on audit fees and the implications for how audits are carried out merits further investigation.

### Audit Expectation Gap Continues

There is difference what auditors believe their role is and what others believe. Many do not believe or agree an audit has limits.

### Focus on Process Rather than Outcomes

Over regulation and standards focused on process and procedures rather than outcomes, can make auditors more compliance focused.

### Reducing Inefficiency and Duplication

Management feel onerous documentation falls to them and poor alignment between auditor, audit committee and internal auditor increases costs and inefficiency.

### Audit Quality Depends on Understanding the Business

It is odd that the audit client considers understanding its business model fundamental to the audit and the whole of ISA 315 is devoted to it, and some audits lacked a suitably experienced engagement partner.

### Effect of New Audit Report to be considered

Although redesigned primarily for investors the new audit report will improve communication between auditors and those charged with governance meaning ISA 260 is better implemented.

We do recommend you read the comment letter in full and if you have an audit committee role suggest you consider its contents for an audit committee agenda.

We particularly consider the observation on page 6 regarding improving professional skepticism to be revealing:

*“We recognize the Public Interest Oversight Board noted in its discussions that: “professional skepticism, as a state of the mind and attitude, should govern the performance of auditors, and inspire the attitude of other accountants, e.g. accountants in business. When accountants (practitioners, non-practitioners, accountants in business) do not display proper professional skepticism it is recognized as a barrier to effective performance.”*

*However, this perspective does not recognize that it is necessary to distinguish between those accountants in business who are members of the profession and adhere to common ethical standards and those accountants in business who do not follow a specific code of ethics and/or are not members of an IFAC member organization.”*

IFAC’s international standards are written for professional accountants. A professional accountant is a member of a National Accounting Institute that is a member of IFAC. Accountants that are not professional will not apply such standards with the required rigor.



# ADAA IFRS digest

IFRS news, updates from ADAA, IASB and the Accounting Profession

February 2017

## ADAA EDITORIAL TEAM



Sara Al Sajwani



Hasina Al Adawi



Mahmoud Shahin



Syed Shabbir



Steven Ralls  
Head of Accounting and Auditing Standards  
[AASD@adaa.abudhabi.ae](mailto:AASD@adaa.abudhabi.ae)

ADAA publications are written by the Accounting and Auditing Standards Technical Service Team of the Financial Audit and Examinations Group of the Abu Dhabi Accountability Authority (ADAA). All rights reserved:

- The publications considers recent auditing and accounting content, updates, amendments and exposure drafts issued by IFAC and the IASB and the accounting profession. All content is intended as information for the reader only and none of the content is intended as accounting advice. Entities should refer to ADAA direct if advice is required for a particular issue.
- Any references to third party articles or websites are only intended for information purposes and should not be considered as an ADAA endorsement.
- Publications are intended primarily for the use of the clients of Abu Dhabi Accountability Authority.
- Abu Dhabi Accountability Authority accepts no responsibility for loss or damage caused to any party who acts or refrains from acting in reliance on this publication, whether such loss is caused by negligence or otherwise.

Property of:

Abu Dhabi Accountability Authority Hamdan Street, Falcon Tower, Abu Dhabi,  
P.O. Box: 435 - Phone: +971 2 639 2200 Fax: +971 2 633 4122

[www.adaa.abudhabi.ae](http://www.adaa.abudhabi.ae)