

المجمع الدولي المحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاؤندينشن
Member of TAG-Foundation



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YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS



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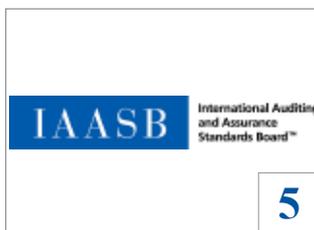
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Launch of 3rd Edition of Talal Abu-Ghazaleh Accountancy & Business Dictionary

AMMAN - HE Dr. Talal Abu-Ghazaleh, Chairman of International Arab Society of Certified Accountants (IASCA), announced the launch of the third English-Arabic edition of Talal Abu-Ghazaleh Accountancy & Business Dictionary, with new updates.

HE Dr. Talal Abu-Ghazaleh affirmed that the dictionary is a comprehensive publication that meets the needs of professionals, including accountants, auditors, bankers and all those who work in the field of economy and business. In addition, it is considered an important reference for university students in an era of rapid developments at all levels in science, knowledge and technology, he added.

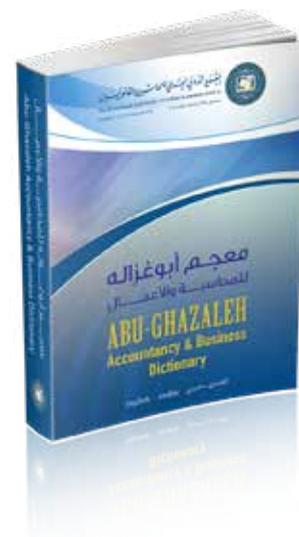
The new edition of the dictionary comprises over 12000 terms relating to accounting and auditing, covering International Accounting Standards, International Auditing Standards, Code of Conduct, finance, investment, banking, insurance and taxes.

It is worth mentioning that the Arabic certified references of International Accounting Standards, International Auditing Standards and International

Accounting Standards in the Public Sector, translated into Arabic by IASCA, were approved by international agencies that set these standards.

The dictionary is now available in hard copy, with a soft copy soon to be issued for easy access and to keep up with technology advancements.

The International Arab Society of Certified Accountants (IASCA) was established in 1984 as a non-profit professional accounting association in London, UK. It was formally registered in Amman on February 24, 1994, aiming at advancing the profession of accounting, auditing and other related disciplines in the countries of the Arab League. IASCA also aims at maintaining the professional independence of Arab accountants and their protection, as well as the application of professional supervisory measures.



Under the patronage of Minister of Industry, Commerce and Tourism of Bahrain **IASCA Holds its 6th Global Professional Conference**

MANAMA - The International Arab Society of Certified Accountants (IASCA) will hold its 6th Global Professional Conference under the slogan “The Future of the Accounting Profession in light of the Knowledge Revolution” under the patronage of HE Sheikh Zayed bin Rashid Al Zayani, Minister of Industry, Commerce and Tourism of Bahrain, November 11, 2018 at the premises of Talal Abu-Ghazaleh Organization (TAG-Org), Manama - Kingdom of Bahrain, in the presence of a group of international and Arab professional bodies and agencies and privileged elite of experts from the Arab world.

The conference will tackle various working



papers that will enhance participants’ knowledge of the impact of information technology on the accounting and auditing professions, and introduce them to the importance of digital accounting education in our present time.



In his turn, Dr. Talal Abu-Ghazaleh, ASCA President, stressed the importance of the conference at this time, which is witnessing major and rapid transformation in the field of information and communication technology, which necessitates the development of accounting and auditing professions to cope with technological advancements.

The conference will address two main areas: the impact of IT revolution on accounting and auditing profession, accounting software development, and digital accounting education.

For more information, please check:

www.conference2018.ascasociety.org

Training Courses Held in September 2018

AMMAN – The International Arab Society of certified Accountants (IASCA) – Jordan, held the following training courses in September 2018:



A contractual training course titled “Financial Instruments and Hedge Accounting” was held for a number of participants from different economic sectors. The training course aimed at introducing participants to the requirements of recognition, measurement, presentation, and disclosure of financial instruments and hedge accounting according to the International Financial Reporting Standards.

classification, and subsequent measurement of financial assets on the date of the preparation of financial statements, along with the methods of recognizing the evaluation of financial assets’ profits or losses and the needed disclosures. Also, the training course will address the hedging concept using the financial derivatives showing their accounting treatment. The hedging concept will be addressed using financial derivatives and their accounting treatment.



A contractual training course titled “Financial Analysis and Companies Evaluation” was held for a number of participants from the Social Security Investment Fund. The training course aimed at providing the participants with the most recent trends, approaches, and approved measures in the field of the preparation of financial statements for



The training course will provide the participants with the needed knowledge of the requirements of the initial recognition,



holding and subsidiary companies, the accounting of mutual transactions, and the accounting of external transactions and its problems encountered upon preparing financial statements about mergers of different kinds of companies according to the most recent prevailing standards.

A contractual training course titled “The International Financial Reporting Standard 9 – Financial Instruments” was held for a number of participants from a number of Talal Abu-Ghazaleh Organization (TAG-Org) employees. The training course aimed at providing the trainees with the knowledge of recognizing the profits or losses of evaluating the financial assets, the needed disclosures, and comparing requirements of IFRS 9 to the requirements stated in the International Accounting Standard 39 (IAS 39).

A specialized training course titled “Accounting for non-Accountants” was held for a number of TAG-Org employees. This training course aimed at introducing the participants to the basic accounting concepts, methods of registering and carrying forward the accounting entries, and inventory settlements along with introducing them to the fundamental financial statements and their importance and the benefits of every financial statement and how to analyze and interpret the



financial statements for the purpose of making administrative decisions.

The IASCA in collaboration with Bayt Al-Hikma (House of Wisdom) Foundation for Human Development and Training in Baghdad held a qualifying training course for the IFRS expert for a group of participants from the local community in Iraq. This qualification course aimed at building and developing the necessary knowledge capabilities related to understanding the practical aspects and application of the IFRS in a professional way along with helping in the continuous professional development in the field of IFRS, and following up the most recent modifications to qualify the participants for the certificate exam. The participants extended their gratitude to the Society for the knowledge they gained from the course.

IFRS Expert Exam Results of August 2018 Announced

AMMAN- The International Arab Society of Certified Accountants (IASCA) announced the examination results of the International Financial Reporting Standards (IFRS Expert) August 2018 session.

A large number of students sat for the IFRS Expert exam from around the Arab world, and the pass rate in the session was 25%.

The IFRS Expert certificate aims to build and develop the necessary knowledge capacities related to the theoretical and conceptual aspects of the International Financial Reporting Standards, enable IFRS Experts to professionally apply the



IFRSs in accounting, and ensure the continuous professional development in the IFRSs field.

IASCA congratulates students on their success and wishes those who did not pass the exams the very best of luck in next sessions.

Banks are Transforming to Address IFRS 9 Requirements

LONDON - The International Financial Reporting Standard 9 — Financial instruments (IFRS 9) has replaced most of the guidance in International Accounting Standard 39 (IAS 39).

This will be for accounting periods beginning from this year. This included a new impairment model which will result in earlier recognition of losses. The more principles-based approach of IFRS 9 requires careful use of judgment in its application.

Financial assets are classified in IFRS 9 according to their contractual cash flow characteristics and the business models under which they are held. Instruments will be classified either at amortized cost, the newly established measurement category fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

The three business models which drive the accounting classification of financial assets under IFRS 9 are Held to Collect business model, Held to Collect and Sale business model and Trading model.

Held to Collect business model — A practice to collect contractual cash flows to recover investment in an asset. The assets which follows this are deposits with QCB and similar institutions. Its measurement is at amortized cost.

Held to Collect and Sale business model — A practice to collect contractual cash flows from the asset or may be sold. It may be bank's liquidity portfolio. Its measurement category is by fair value through other comprehensive income (FVOCI).

Trading model — This mainly comprises of assets held for short term profit-making. Its measurement is by fair value through profit or loss (FVTPL).

Debt instruments could get classified in any of the above three business models. Equity instruments can be classified either in fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).



According to S&P, the effect of classification and measurement on investments was limited on its rated Gulf banks, accounting for around 4% of the total impact charged to retained earnings, on average. This stemmed from the relatively strong credit quality of rated banks' investment portfolios and their straightforward business models.

In the earlier incurred credit loss model, the bank provided for a loan loss when such an event occurs. However, under the expected credit loss model in IFRS 9, the bank is expected to anticipate that such an event could occur and therefore provide for losses earlier than previously.

The new standard outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition:

Stage-1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset.

Stage-2 includes financial instruments that have had a significant deterioration in credit risk since initial recognition, but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.

Stage-3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.



The most significant financial implications of IFRS 9 as against IAS 39 on impairment arise from the introduction of Stage-2. It is therefore critical as to how to implement the significant deterioration” criteria for the Stage-2 allocation of assets.

Banks can use the general model to measure ECL for assets in Stage-1 and Stage-2: Probability of Default (loss given default) Exposure at Default. For Stage-3, banks are required to define the definition of default in accordance with QCB instructions. Banks are to estimate possibility of default (PD) based on all relevant information. In determining key indicators of credit deterioration, external indicators, internal indicators and borrower-related indicators are to be considered.

The external key indicators include external ratings, market factors, macro-economic developments and industry factors.

The internal key indicators include internal rating, credit risk judgement, debt restructuring and legal developments.

The borrower-related key indicators include financial and management performance and collateral values.

The new ECL model under IFRS 9 will result in higher provisions relative to current IAS 39 incurred model.

S&P said the Gulf banks’ implementation of IFRS 9 on January 1, 2018, led to an additional provision

of 1.1% of total loans, which is equivalent to one-third of their net operating income before loan loss provisions.

Rated banks in Qatar were the most affected, as S&P predicted in 2017. The average additional provision amounted to 1.5% of total loans, with the minimum increase at 0.5% and maximum increase at 2.8%, the shift in the operating environment after several Arab countries unjustly boycotted Qatar and, in particular, the pressure on Qatar’s real estate and hospitality sectors are continuing to exacerbate banks’ provisioning needs.

Taking into consideration the IFRS 9 requirements, most of the banks in the region have evaluated the effects on banks’ regulatory capital and the volatility in provisions impacting the financial statements, the effects of IFRS 9 on business planning and forecasting and on product pricing, and re-adjustment of key performance indicators. The industry and macroeconomic indicators are also captured in the ECL modelling exercise, with focus on shifts from Stage-1 to Stage-2 across various sectors.

System- and data-gathering capabilities and governance frameworks have been re-defined in light of IFRS 9 requirements. On the whole, the banks are transforming to address the IFRS 9 requirements.

* The author is Group CEO of Doha Bank.
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IPSAS 41 Released to Improve Financial Instruments Reporting



NEW YORK- The International Public Sector Accounting Standards Board® (IPSASB®) has released IPSAS 41, Financial Instruments.

IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will

replace IPSAS 29, Financial Instruments: Recognition and Measurement, and improves that Standard’s requirements by introducing:

- Simplified classification and measurement requirements for financial assets;
- A forward looking impairment model; and
- A flexible hedge accounting model.

“The significance of government debt to global capital markets can often be ignored,” said IPSASB Chair Ian Carruthers. “IPSAS 41 is a

major step forward in accounting for financial instruments, and responds to the problems with IPSAS 29 that were exposed by the global financial crisis. It provides principles that appropriately reflect the economics of transactions involving financial instruments, replacing the more rules-based approach of its predecessor.”

IPSAS 41 is based on International Financial Reporting Standard (IFRS) 9, Financial

Instruments, developed by the International Accounting Standards Board (IASB®), but it also includes public sector-specific guidance and illustrative examples on:

- Financial guarantees issued through non-exchange transactions;
- Concessionary loans;
- Equity instruments arising from non-exchange transactions; and
- Fair value measurement.

Martin Baumann Named to Lead IAASB



NEW YORK- Mr. Martin Baumann has been appointed Chair of the International Auditing and Assurance Standards Board (IAASB) for a three-year term beginning January 1, 2019. Mr. Baumann’s appointment was recommended by the Interim Nominating Committee after an extensive international search. The IFAC Board endorsed the Interim Nominating Committee’s recommendation, approved by the Public Interest Oversight Board (PIOB), which oversees the IAASB’s activities. The Monitoring Group was informed of the recommendation.

“Martin Baumann is a leader who brings vision, a passion for the public interest and a depth of experience to the role of IAASB Chair,” said Ryozo Himino, Interim Nominating Committee Chair. “As its next Chair, he will lead the IAASB during an important period of innovation and change as well as continuing the Board’s work developing high-quality international audit, assurance, quality control and related services standards that are accepted and used around the world.”

As Chair, Mr. Baumann will lead the IAASB through an environment of rapid advances in current and emerging technology and changes in the breadth and complexity of information needed by investors and other stakeholders. He will be responsible for leading the finalization

and implementation of IAASB’s strategic objectives; actively engaging key stakeholders around the world, including national standard setters, regulators, investors and firms of all sizes; and delivering timely high-quality standards in the public interest.

“The IAASB plays a vital role in the world’s capital markets. High-quality professional standards developed in the public interest by the IAASB provide the markets with confidence in the important work done by auditors,” said Mr. Baumann. “I am committed to working tirelessly to ensure the IAASB meets its mandate, and continues to be recognized as a highly-regarded independent organization developing high-quality standards.”

Mr. Baumann most recently served as Chief Auditor and Director of Professional Standards at the Public Company Accounting Oversight Board (PCAOB), where, with the Board, he was responsible for establishing auditing and related professional practice standards for audits of all companies registered with the US Securities and Exchange Commission. He also chaired the PCAOB’s Standing Advisory Group and served on the IAASB and International Ethics Standards Board for Accountants Consultative Advisory Groups. Previously he was Chief Financial Officer for Freddie Mac and a senior partner at PricewaterhouseCoopers.

Mr. Baumann succeeds Prof. Arnold Schilder, whose term as IAASB Chairman concludes after a decade of service at the end of 2018. Prof.



Schilder has led the IAASB with distinction, from new landmark assurance standards addressing key aspects of sustainability reporting, to innovative and groundbreaking new auditor reporting standards, to enhancements now underway to the standards that seek to fundamentally improve audit. There are now nearly 130 jurisdictions around the world using or in the process of adopting the clarified International Standards on Auditing. Mr. Baumann will work closely with the current Chair commencing October 29, 2018 to allow for a smooth transition.

The Interim Nominating Committee was formed by the Monitoring Group in February 2018 to

conduct the process for the next IAASB Chair. The Committee was chaired by Ryozo Himino, Vice Minister for International Affairs, Financial Services Agency (Japan), and was comprised of four other members including Guy Andrade, Huguette Labelle, Lord Jonathan Hugh Mance and Sir David Tweedie, and two observers, Rachel Grimes and Eddy Wymeersch. The Interim Nominating Committee followed an open and transparent process to select the most suitable candidate for the position. It will disband now that its mandate has been completed.

For more information about the work of the IAASB, visit its home page at www.iaasb.org





The International Arab Society of Certified Accountants (IASCA)
Member of TAG-Foundation

Under the patronage of
Mr. Zayed R. Alzayani

Minister of Industry, Commerce and Tourism - Bahrain

The International Arab Society of Certified Accountants (IASCA) holds the International Professional Conference entitled

“The future of the Accounting Profession in light of the Knowledge Revolution”

On 11 November 2018

In Manama – Bahrain (TAG-Org Building # 1002 Road # 5121 Suwayfiah # 351, Manama – Kingdom of Bahrain)

The Conference will focus on two main issues:

- Impact of Information Technology Revolution on Accounting and Auditing Profession.
- Redesign Accounting Programs in Accordance with Technological Advancement.

- » Registration is free of charge, registration deadline: 15/10/2018
- » An attendance certificate will be granted to conference participants.

For inquiry and registration:

Tel.: 00962-6-5100900 Ext. 1376/1228/1225 | **Fax:** 00962-5100901

E-mail: iasca.conference@iascasociety.org

Website: www.conference2018.iascasociety.org

الراعي الماسي

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FOR MORE INFORMATION

Tel: (0962-6) 5100900

Fax: (0962-6) 5100901

Or you may reach us through our website:

ascasociety.org

ascajordan.org

And our emails:

asca.jordan@iascasociety.org

salouri@iascasociety.org

www.facebook.com/ASCAsociety

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