المجمع الدّولي العَربي للمحاسَبين القانونيّين
The International Arab Society of Certified Accountants (IASCA)
عضو في طلال أبوغزاله فاوندیشن
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IASCA Newsletter

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YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS

World To Where ?- with Talal Abu Ghazaleh

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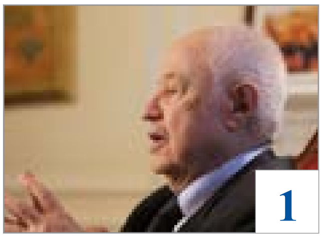

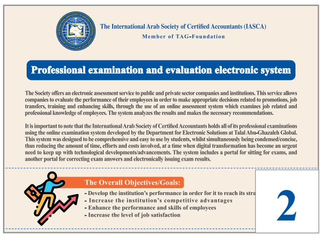
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World To Where ?- with Talal Abu Ghazaleh

The Coronavirus (COVID-19) was used to issue a decision to reduce oil prices

To view the whole interview, please click here.

Abu-Ghazaleh: Globalization has reached its end, yet the Corona crisis has not reached its midpoint.

To view the whole interview, please click here.

Abu-Ghazaleh: Social Media is a dangerous profession and should be placed under supervision

To view the whole interview, please click here.

Abu-Ghazalehonthe "Deal of the Century": Mere rhetoric, the deed of ownership is in the hands of the Palestinian People

To view the whole interview, please click here.

For more videos, please click here.

Abu-Ghazaleh Launches Professional Examination System and E-evaluation Service

AMMAN – HE Dr. Talal Abu-Ghazaleh, founder and chairman of the International Arab Society of Certified Accountants (IASCA), announced the launch of the professional examination system and the electronic evaluation service; both developed by Talal Abu-Ghazaleh E-Solutions Department at Talal Abu-Ghazaleh Global (TAG.Global).


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

Professional examination and evaluation electronic system

The Society offers an electronic assessment service to public and private sector companies and institutions. This service allows companies to evaluate the performance of their employees in order to make appropriate decisions related to promotions, job transfers, training and enhancing skills, through the use of an online assessment system which examines job related and professional knowledge of employees. The system analyzes the results and makes the necessary recommendations.

It is important to note that the International Arab Society of Certified Accountants holds all of its professional examinations using the online examination system developed by the Department for Electronic Solutions at Talal Abu-Ghazaleh Global. This system was designed to be comprehensive and easy to use by students, whilst simultaneously being condensed/concise, thus reducing the amount of time, efforts and costs involved, at a time when digital transformation has become an urgent need to keep up with technological developments/advancements. The system includes a portal for sitting for exams, and another portal for correcting exam answers and electronically issuing exam results.

The Overall Objectives/Goals:
- Develop the institution's performance in order for it to reach its strategic objectives.
- Increase the institution's competitive advantages
- Enhance the performance and skills of employees
- Increase the level of job satisfaction

Targeted Groups:
- Employees working in accounting departments.
- Employees working in external auditing departments.
- Employees working in internal auditing and internal control departments.
- Employees working in financial management and financial control departments.
- Employees working in procurement and inventory departments.
- Employees working in the banking sector.
- Employees working in Human Resources and other related departments.

System features:
- Enables institutions to measure the performance of their employees transparently whilst minimizing costs and efforts involved in doing so.
- Offers and hosts a forum for questions and evaluations of clients.
- Analyzes evaluation results and determines the training needs of departments and employees.
- Holds exams for new employees to be appointed.
- Holds professional exams for existing employees at institutions.

System language:
The system makes it possible to hold exams and to conduct evaluations in Arabic and English.

For any further queries and information:
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The new system enables companies and institutions to evaluate the performance of their employees for the purposes of promotion, job transfers, and training. The electronic evaluation system examines employees' professional knowledge, analyzes the results and provides the necessary recommendations. The system also allows the concerned organizations to conduct professional exams for their staffs, in addition to university students in Arabic and English.

The new system provides the following set of features:
- Enabling institutions to measure the performance of their staff transparently at lower cost and with less effort.
- Providing and hosting a base of questions and evaluation forms and templates for clients.
- Analyzing the evaluation results and determining the training needs of both departments and employees.
- Conducting recruitment exams for new employees.
- Conducting professional exams for the institution's existing employees.

The International Arab Society of Certified Accountants (IASCA) was established as a non-profit professional accounting organization on January 12, 1984 in London - UK and was officially registered in Amman on February 24, 1994. IASCA aims to improve the science of accounting, auditing and other related subjects at the international level, as well as to maintain the professional independence of accountants, ensure their protection and apply professional supervision standards as means of upgrading the accountancy and auditing professions.

Accounting Theorizing under the Covid-19 Pandemic – a Realistic Diagnosis

By: Dr. Magdi Wael Al Kababji, Head of Accounting Department at Al-Quds Open University - IASCA Member

JERUSALEM - Today, the world is witnessing accelerated developments due to the outbreak of Coronavirus (Covid-19) which led all the countries of the world to collectively seek crucial precautionary and preventive measures to limit the outbreak of this deadly virus and lessen its impact. Social distancing and quarantine are considered to be the most important procedures taken to limit the outbreak in addition to complete cessation of trade, banking, and travelling. Despite the importance of these measures it is clear that they have impacted the business environment in all the countries of the region. Covid-19 did not impact the human life only but also the entire global economy which required many professional organizations and international companies to measure and study the global financial impactof such a virus on the economies of these countries.

The reality of the impact of this pandemic on companies and the business environment also summoned most international accounting and auditing firms to the role of the International Financial Reporting Standards (IFRS) under the Covid-19 pandemic, given that the accounting and auditing profession is the actual translator for financial crises through the introduction of updates to laws and international standards related to accounting and financial statements in order to direct companies and corporations in general towards the correct and accurate guidance for current and future accounting treatments under the financial crises that overshadow the present and future.

Therefore, accounting and auditing firms have addressed, in their recent publications and updated reports, the potential accounting implications on financial reportsunder the Covid-19 pandemic. Businesses in addition to accounting and auditing firms should use as a guidance in preparing their financial reports.

And as we now witness the end of the financial period of 2019 and the beginnings of 2020, the International Accounting Standard-1 (IAS-1) calls forin many items and components to ensure the fair presentation of financial statements and serves users of financial statements in obtaining information that helps them understand the reality and the situation of businesses, and also assists them in forecasting the future cash flows along with their timing, and certainty. International companies tend, in their judgment about the existence of significant assurances and concerns at the management level due to the impact of Covid-19, to state that the company is unable to continue due to the intention of the management, either to liquidate the company or to halt operation, this is due to the appearance of almost certain cases in many economic establishments which shows the state of (essential uncertainty) about their ability to continue. This situation affects these entities' ability to overcome the crisis, unless they have successful future plans in place on which they can depend on in order to manage these circumstances. Therefore, using the going concern principle in such cases is inappropriate due to the expected effects of lack of liquidity, weak working capital, and low profitability ratios.

Therefore, the company's management must disclose this along with the reasons behind them. Entities should also provide other disclosures relevant to Contingent liabilities under IAS-37 along with providing disclosures about the objectives and policies of financial risk management. Also taking into consideration the cost of the provisions needed to implement contracts, liabilities and compensation of the inability to fulfill the obligations arising from contracts with clients or suppliers.

In addition, the view of the international accounting and auditing firms to IFRS-13 in relation to measuring the fair value of assets and liabilities which shows the companies under Coronavirus that the measurement should be done as on the reporting date not based on what's going to happen in the future due to the outbreak of Covid-19.

Moreover, the international accounting and auditing firms should emphasize the importance of quantitative and qualitative disclosures about the Expected Credit Losses of financial assets that are not measured using the fair value in accordance with the impairment approach in order to enable the users of financial statements of understanding those risks caused by the epidemic in accordance with IFRS-9.

The costs of the provisions needed to achieve the actual current expected values along with the realizable values of the held financial assets on the date of financial statements should also be considered.

The importance of IAS-10 should be highlighted during the current period of the Covid-19 outbreak, because this standard addresses the events after the reporting period, which occur between the reporting date and the authorization date and affects the content of the financial statements. Some opinions tend to consider the Covid-19 pandemic as an emerging event under IAS-10 because it occurred after the reporting date of December 31, that's why it is considered as a non-adjusting event since it does not reflect the circumstances on the reporting date.

Globally, the international accounting and auditing firms besides opinion-makers have been discussing the IFRS and other accounting and financial issues, such as IFRS-15, as this standard addresses the recognition of revenues, the crisis implications on the timing and value of revenue recognition, the need to modify the contracts with the clients, and the modification of the adopted pricing policies. IFRS-16, leases, has been also included in the discussions because of reconsidering the discounts rates, the implicit interest rates, and the interest rate bulletins issued by central banks.

In conclusion, and based on extrapolating financial reports and publications that indicated the increased degree of uncertainty and resorting to short and medium-term accounting and financial solutions due to the instability of the financial and monetary markets and the negative economic implications in all the countries, predicting financial solutions on the long run would not be easy.

The implications of Covid-19 on the economies of the dominant countries along with other countries, after the pandemic is contained, drive those countries to set financial, economic, and political strategies in the short run to handle the current and future circumstances. Businesses and firms should also study the potential accounting implications on its reality and financial statements, and should monitor the potential international changes in accounting along with measuring their effect on the interim financial reports of 2020 and the coming years. China, one of the world's economic titans, stated "the world after Corona would not be the same as it was before Corona" … a statement that needs to be deeply considered.

The Implications of Covid-19 on the Financial Statements and Disclosures – Professional Oversight Department – TAG.Global

Introduction

For the financial statements that will end during 2020, the impact of Covid-19 must be reflected when preparing the financial statements.

The effects of the Coronavirus are widespread and its impact has touched most sectors. Covid-19 affected companies and entities differently, as it was direct and significant on some of them, while it was indirect on others, but actually all entities were affected by the virus. The financial statements, as well, will be affected in the same way. Moreover, the situation is changing rapidly, and this requires continuous revision of the estimates, predictions, and assumptions. What prevailed, for example, two weeks ago, is most likely inapplicable now.

This technical publication addresses the following items:

- Financial Instruments and the Measurement of Expected Credit Losses(ECL);
  - Hedge Accounting;
  - Disclosures of Financial Instrument Risk.
  - Payment and Classification of Debts;
  - Guarantees;
  - Impairment inValue;
  - Inventory;
  - Measurement of the Defined Employee Benefits Obligations;
- Benefits of Employees' Service Termination and New Benefits;
- Share-based Payments;
- Revenues;
- Fair Value Measurement;
- Leases;
- Income Tax Accounting;
- Provisions;
- Insurance Claims;
- Government Grants;
- Translation of Foreign Currencies;
- The Implications on Disclosures in Accordance with IAS-1;
- Subsequent Events;
- Going Concern;
- Interim Financial Statements

Some of the effects on the items of financial statements whose financial periods end during the year 2020 include:

Financial Instruments and the Measurement of Expected Credit Losses

- According to IFRS 9, financial instruments, expected Credit Losses (ECL) shall be recognized based on the information about previous and current events,as well as predictions about future economic events. This means that future expected events shall be considered in measuring the ECL based on the probabilityof occurrence. In evaluating future events, the implications of Covid-19 shall be considered along with the important support provided by governments.

- The assumptions that were used up till now to calculate the ECL may not be applicable in light of the current circumstances, so entities should not apply the previous methodology in a mechanistic manner.
- The ECL provision applies to several accounts such as trade receivables, loans, debt related securities, contract assets, assets arising from costs of implementing the entity's contracts with clients, financial guaranteecontracts, and loan commitments.
- Management of entities shouldconsider the method of calculating the ECL (ECL for 12 months, or lifetime ECL), as well asthe method of calculating the ECL itself (i.e., the amounts subject to loss and the risk of non-payment).
- The financial assets subject to ECL provision calculations require calculating the possibility of non-collection for a 12-month period (unless the simplified method is used). The Covid-19 crisis may have a significant impact on such calculations. The Covid-19 crisis might also cause a significant increase in credit risks, which requires the calculation of lifetime ECL.
- The calculation of future ECL provision is affected by the increased probability of borrowers' default, and the decrease in the value of the guarantees they provided.
- The calculation of the provision is also affected by the information about the impactof Covid-19 that will be available after the date of the financial position, and indicates the circumstances which prevailed at that date. It is recommended to provide complete disclosures about the events that were considered even if these events do not cause a modification in the estimates.

Hedge Accounting

The hedge effectiveness shall be assessed initially and continuously oneach reporting date, or if the circumstances significantly change. The current volatile market conditions may require entities to re-arrange hedging or cease hedge accounting if the economic relations no longer exist or if these relationsare dominated by credit risks. Moreover, if the occurrence of an expected hedge transaction is not highly expected (e.g., inventory purchase or sales), the hedge accounting shall be discontinued in the future.

Disclosures of FinancialInstrument Risk

Due to the rapid changes in the economic conditions, the degree of risk exposure may vary (credit, liquidity, and market), somanagement may need to provide more disclosures about the concentration of risks. In providing disclosures about sensitivity analysis, managements may need to use wider range for the probability of change in the indicators and their trends.

Payment and Classification of Debts

Due to the hard economic conditions, many lenders have deferred thepayment installments and other financing terms including the interest rate. This may affect the value of the provided financing which may result in profitsor losses. The classification of debts will also be affected, as current or non-current items.

The financingcovenantsstipulated in the agreements may not be met, the debt as a whole would be outstanding if lenders did not waivenon-compliance cases.

Some lenders provide full exemption of debts, this requires managements to determine the proper timing to derecognize the debt, in the statement of financial position, and the appropriate accounting treatment thereof.

Guarantees

The entity that provided guarantees for others shall consider the impact of the crisis on those entities. However, and based on the circumstances, entities may need to recognizesome additional liabilities related to these guarantees.

Impairment inValue

IFRS require entities to conduct impairment tests for the value of their assets if there are indicators about impairment intheir value. Moreover, impairment tests should be conducted for goodwill and intangible assets with indefinite ages once annually at least.

Entities may also need to recalculate the value in use due to changes in expected cash flows and interest rates.

All the assumptions and expectations that were previously used by an entity to estimate the impairment of value should be reconsidered in light of the changes in the circumstances as a result of Covid-19 and its impacton the entity's performance, expected cash flows, and the applied discount rates. The measures taken to contain the implications of the crisis should also be considered.

The fair value of an asset minus the costs of disposal may also be impaired, and the active markets for some assets may disappear.

Here are some indicators of the impairment caused by Covid-19:

Investments accounted for using the equity method

- Significant financial difficultiesfor the investee company;
- Non-compliance or inability to implement the contracts and agreements (e.g., loan agreements);
- Bankruptcy or restructuring of the investee company; and
- Significant negative changes in the economic or legal environment in which the investee company operates.

Property, plant, and equipment and intangible assets (except goodwill)

- Change in the extent or method of using the assets;
- Significant negative changes in the work environment or the laws that may impact the value of an asset;
- Decrease in the market's interest rate causing impairment of the value in use; and
- Decrease or cessation of demand on the services provided by the asset.

In addition to the above, the existence of doubts about the ability to continue as a going concern is considered an indicator for impairment for most of the assets.

Goodwill

Goodwill shall be annually tested for impairment; Covid-19 may impact goodwill as follows:

- Negative significant changes in the work environment, laws, or regulations;
- Loss of keyemployees;
- Significant impairment in the value of a group of assets;
- Impairment of goodwill in an investee company; and
- Significant decline in the company's share price, which makes its market value less than its book value.

Inventory

Due to the circumstances arising from Covid-19, the inventory of an entity may be exposed to various loss factors such as damage, obsolescence, price reduction, or interruption of supplies.

Accordingly, managements of companies should consider whether there is a need to adjust the carrying amount of inventory to be equal to the net realizable value in accordance with IAS 2, inventory. The estimation of the net realizable value in light of the current volatile circumstances, accompanied by uncertainty, is difficult.

In case a company stopped or reduced its production significantly for a period of time, the fixed costs relevant to production shall be charged to gains or losses, not to the cost of inventory.

Measurement of the Defined Employee Benefits' Obligations

IAS 19 (Employee Benefits) requires setting some assumptions in measuring this liability, such as interest rates, salary increases expectations, and the employees' turnover rate. ISA 19 also requires, in case of the existence of assets for the employee benefits plan, the measurement of the value of such assets to reach the net liability.

Due to the sudden collapse in the markets and the decrease in interest rates as a result of Covid-19, entities shall re-estimate these assumptions. As liabilities are prepared using actuarial evaluation, managements of entitiesshall consider the need to modify these assumptions or even to re-conduct a comprehensive actuarial assessment.

Employees' Termination Benefitsand New Benefits

Due to the economic difficulties, some entities will reduce the number of staff and terminate their services, so managements should consider when and how an entity will recognize the liabilities and expenses in relation tothose actions in accordance with the requirements of the standards.

As a result of Covid-19, some entities provide new benefits for their employees that were not previously provided, this creates liabilities and expenses. Managements should consider how to account for such liabilities and expenses. The accounting treatment of such items depends on whether those benefits are relevant to past services, or they are paid when the service is provided.

Share-based Payments

A change may occur in the assessment of whether the vesting conditions (for example, the number of years of service at a company) are met regarding the arrangements of share-based compensation plans. A company may also decide to modify or cancel these plans; this requires re-accounting forsuch plans in accordance with the guidelines set forth in IFRS 2,share-based payments.

Revenues

- If contracts with clients contain a variable consideration, such as discounts, an entity's management shall consider whether its previous estimates, in this regard, are still applicable. IFRS 15 provides detailed guidelines regarding the variable consideration. Due to the current circumstances, it is expected that companies will modify their promotional offers and discounts.
- If an entity sells its products and services in areas that are severely affected by Covid-19, it shall consider the possibilities of collection. In the absence of such information about these possibilities, a company might not be able to recognize revenues except upon receipt of the consideration and afterit becomes non-refundable.
- Contracts with clients may be subject to loss, or to profitability decrease, managements of entities shall consider whether the final result of the contract is an onerous contract, this situation requires the recognition of a corresponding liability in accordance with IAS 37.

Fair Value Measurement

The fair value of an asset or a liability (such as some financial instruments, investment property, some property, plant and equipment) is measured on the date of financial reporting in accordance with the applicable IFRS. When the fair value measurement is based on a quoted price in an observable market, the quoted price on the date of the financial report shall be used. Changes in the market prices after the date of financial reporting are not reflected in the assessment of assets.

Due to Covid-19, price fluctuations in different markets increased, this directly affects the measurement of fair value in case it is determined based on the market price (for example, securities exchanged in an active market). The effect might also be indirect, if the fair value is estimated based on inputs derived from a volatile market. The fair value estimation process will require more judgment and estimation, specifically regarding the estimations based on unobservable inputs (the third level of the fair value hierarchy). In some cases, the dependence on unobservable inputs will increase because the observable inputs are no longer available.

Leases

There is often a need to calculate an incremental borrowing rate in leases, the calculation shall be conducted in accordance with the requirements of the standards. Managements of entities may need to recalculate this price in light of the implications of the Corona crisis on interest rates and credit risks relevant to an entity.

Covid-19 may result in modifications in the terms of contracts between lessees and lessors. In this case, both the lessee and the lessor shall consider how to account for these modifications and whether the change is considered a modification on an existing contract, or it forms a new lease. A new incremental borrowing rate shall be determined for the new contract.

The changes in markets, interest rates, and terms of contracts may cause impairment of right-of-use assets.

For more details about the implications of the Corona crisis on leases, please refer to the IFRSpublicationissued on April 10, 2020 titled "IFRS 16 and Covid-19"

Income Tax Accounting

Regarding the deferred tax assets, an entity may need to reconsider the assumptions relevant to the potential future recovery of these assets. Managements may determine that it is no longer suitable, according to IAS 12, income taxes, to recognize deferred assets because they might not be recoverable in the future.

Regarding the deferred tax liability, the effect of assets impairment should be considered on the temporary taxable differences. Because dividends plans of subsidiariesmay be affected by the crisis,the recognition of deferred tax liability regarding the undistributed profits shall also be reconsidered.

Entities in some areas are granted tax exemptions or deferrals, and managements should consider their entitlement of such exemptions along with their effect on tax provisions. Tax exemptions granted by governments should be assessed in according withIAS 20 in addition to IAS12.

Provisions

IAS 37, provisions, contingent liabilities and contingent assets, requires the recognition of provisions only if there is apresent obligationon the entity, and that obligationwill likely require outflows of resources to be settled, and the entity is able to make estimates reliably. Therefore, provisions formanagements actions related to the virus should be created only if such actions createobligationsthat need economic resources to be settled, and it is a possibleto estimate them reliably. For instance, provisions for restructuring plans are not recognized unless detailed official plans are announced, and those official plans create real expectations, among those affected by the plans, that the plans will be implemented.

IAS 37 does not permit the creation of provisions for future operational costs. However, it requires the recognition of losses resulting from onerous contracts. The standard also does not permit the recognition of contingent assets unless the recovery potential is virtually certain.

IAS 37 also requires the disclosure of the nature of the liability and the expected timing for using the economic resources.

Insurance claims

Managements of entities shall consider whether the losses resulting from Covid-19 are covered under insurance policies. According to IAS 37, insurance benefits are only recognized when their collection is virtually certain, and this happens when the insurance company accepts a virtually certain claim, and the entity's management is convinced that the insurance company is capable of meeting its obligations. They will be disclosed as contingent assets when it is apparent that the entity is entitled to the benefits.

Restructuring plans

Some entities may restructure their operations by ceasing or selling some activities. Managements of companies should pay attention to the need of classifying some of its long term assets as non-current assets held for sale, or the need to present some of their activities as discontinued operations in accordance with the terms of IFRS 5, non- current assets held for sale and discontinued operations.

Government Assistance

Many governments took initiatives to provide assistance and aidsto companies in order to mitigate the implications of the Corona crisis, such as tax exemptions or payment of some wages and salaries of employees, etc. Managements of entities shall consider whether those grants meet the recognition criteria of government grants according to IAS 20, Accounting for government grants and disclosure of government assistance.

Translation of foreign currencies

Practically, it is common for companies to translate the items of the income statement in foreign currency using the averageprevailing rate of exchange during the period, given that this rate will not differ from the spot exchange rates. However, given the huge fluctuations in the exchange rates of some foreign currencies, this assumption may no longer apply in the current circumstances.

The implications on disclosures under IAS 1

Managements should consider the specific requirements needed in accordance with IAS 1 regarding the significantaccounting policies, the significantjudgments made by companies in the application of such policies, and the estimates that will likely affect adjustments to profitsfor the coming periods. All these disclosures are affected by Covid-19. There might be a need to increase the extent of disclosures relevant to uncertainty about the estimates.

Specific significant financial effects may arise due to of Covid-19, such as adjustments to impairment invalue. In addition to the disclosures required in accordance with some specific standards, IAS 1 requires providing disclosures in the face of the income statementor within the notes to financial statements about the significantitems of income and expenses. An entity may disclose additional lineitems in the income statement or additionalsub totals, if necessary, to enhance the understandability of its performance. Also, there's a general requirement to provide disclosures about information relevant to the understanding of financial statements, which are otherwise not disclosed.

In addition to the above, there are disclosure requirements related to an entity's going concern, and the importance of management's assessment of the company's ability to continue as a going concern.

Subsequent events

Financial statements that ended on December 31, 2019

As explained in the circular of the Professional Development Department dated 4/4/2020, the impact of Covid-19 is generally considered as a subsequent non-adjusting event for the year ended on December 31, 2019.Accordingly, these implications will not affect the recognition and measurement of assets and liabilities in the financial statements of the entity. However, entities should consider whether to present additional disclosures to explain the implications of Covid-19in the subsequent period. Generally, disclosures shall be provided about subsequent events that did not exist on the date of financial reports, but significantly affected the assets and liabilities in the subsequent period, or that will have a significant effect on the future operations of the company. Entities shall disclose the following significant subsequent non-adjusting events:

A. Description of the nature of the events; and
B. Estimate of the financial impacts of the events, or providing explicit statement that the estimation cannot be done,

Entities shall consider the assessment of their ability to continue as a going concern, and shall adjust the financial statements accordingly.

Examples of non-adjusting events that require disclosures include:

- The plans set by managements to address the impact of Covid-19 and whether there is a significant doubt about going concern;
- Failure to adhere to financing terms, and whether there is a waiver thereof, or amendments to the terms and conditions of contracts and financing agreements;
- Supply interruptions;
- Assessment of whether some contracts have become onerous contracts;
- Announcing plans to stop some activities;
- Declaration, or application, of significant restructuring or downsizing;
- Significant changes in the prices of assets or exchange rates;
- Entering into commitments, obligations, or guarantees such as a significant collateral to related parties;

See the circular dated 4/4/2020 that includes links to professional publications issued by the AICPA,showing examples about the disclosures.

Financial Statements for the Periods Ending During 2020

As indicated in the circular of the Quality Control Department issued on 4/4/2020, regarding the financial statements ending during 2020, managements shall use estimates to determine the implications of Covid-19. Managements shall also consider the events that prevailed at the date of financial statements. If the management's judgments and estimates have a significant effect on the financial statements, this should be disclosed in accordance with IAS 1. If it was determined that Covid-19 represents an event that prevailed as on the date of financial reporting, and has a significant effect on the operations on or before the date of financial statements, the subsequent events that occurred after the date of the financial statements shall be accounted for as subsequent adjusting events.

The aforementioned circular includes links to professional publications which include examples of the disclosures in the financial statements.

Going Concern

IAS 1, Presentation of Financial Statements, states that themanagement is responsible for assessing the entity's ability to continue as a going concern on the date of financial statements. All forward looking information, and at least for 12 months subsequent to the date of financial reporting, shall be considered. Managements shall consider several factors such as:

- Current and future profitability;
- Sources of liquidity, cash flows, debt repayment schedules, and alternative financing sources;
- Expectations for future revenues, especially in case of expecting significant decrease in demand for goods and services;

- Expectations about the length of the supply interruption or the cessation of operations.
- Expected subsidy and government's grants;

If a management found that an entity may be subject to liquidation, whether this is an obligatory action, or there is no realistic alternative but to do so, the continuity assumption will not be suitable. Accordingly, financial statements shall be prepared using another basis, the liquidation basis for instance. If there is a substantial doubt about the entity's ability to continue, the entity shall provide the appropriate disclosures about those doubts within the notes to the financial statements.

Whereas, the estimation about the entity's ability to continue as a going concern only takes into consideration a minimum period of 12 months from the date of financial reporting, entities shall consider all the events that occurred during the subsequent period to evaluate whether there is a substantial doubt about the entity's ability to continue as a going concern. This means that even if the subsequent events were considered as non-adjusting events, the entity shall consider them in assessing the going concern assumption. Entities should also disclose the events and circumstances that create substantial doubt about continuity. Entities should also disclose the judgments made by managements to conclude that the going concern assumption is still valid.

Examples of disclosures:

See the circular dated 4/4/2020 that includes links to professional publications issued by the AICPA,showing examples about the disclosures.

Interim financial statements

The above guidelines also apply to interim financial statements prepared in accordance with IAS 34. As indicated, many aspects of financial statements will be materially affected, which will require providing comprehensive disclosures about the implications of Covid-19. Interim financial statements are usually used to update the information disclosed in the annual financial statements. However, IAS 34 requires providing disclosures in the interim financial statements that explain the important events and transactions needed to understand the changes that occurred in the financial position and the entity's performance since the date of the previous annual financial statements. This means that entities shall provide additional information to reflect the financial impact of Covid-19 along with the procedures taken to control such impacts. The disclosures shall be entity-specific to reflect the circumstances relevant to the entity per se. In addition to the disclosures required in accordance with IAS 34, an entity shall provide the following disclosures if they have a significant effect:

- The financial impact on the entity's financial position, financial performance, and cash flows,as well as the measures taken to control such impact;
- The important judgments taken by managements, which were not previously required, such as those related to ECL.
- Events after the end of the period.

Application of IFRS 16 in the Light of the Covid-19 Uncertainty

LONDON- A document responding to questions regarding the application of IFRS 16 Leases to rent concessions granted as a result of the covid-19 pandemic has been published.

Access IFRS 16 and covid-19.

The document is prepared for educational purposes, highlighting requirements within IFRS 16 and other IFRS Standards that are relevant for companies considering how to account for rent concessions granted as a result of the covid-19 pandemic.

It does not change, remove, nor add to, the requirements in IFRS Standards. It is intended to support the consistent and robust application of IFRS 16.

The International Accounting Standards Board will during its April meeting discuss IFRS 16 and rent concessions granted as a result of covid-19.

Access further information about how the IFRS Foundation and the International Accounting Standards Board are supporting stakeholders during the pandemic.

Source: IFRS.org

Application of IFRS 9 in the Light of the Coronavirus Uncertainty

LONDON - A document responding to questions regarding the application of IFRS 9 Financial Instruments during this period of enhanced economic uncertainty arising from the covid-19 pandemic has been published.

Access IFRS 9 and covid-19—accounting for expected credit losses.

The document is prepared for educational purposes, highlighting requirements within the Standard that are relevant for companies considering how the pandemic affects their accounting for expected credit losses (ECL). It does not change, remove nor add to, the requirements in IFRS 9 Financial Instruments. It is intended to support the consistent and robust application of IFRS 9.

IFRS 9 was developed in response to requests by the G20 and others to provide more forward-looking information about loan losses than the predecessor Standard and to give transparent and timely information about changes in credit risk.

The document acknowledges that estimating ECL on financial instruments is challenging in the current circumstances and highlights the importance of companies using all reasonable and supportable information available—historic, current and forward-looking to the extent possible—when determining whether lifetime losses should be recognized on loans and in measuring ECL.

The document reinforces that IFRS 9 does not provide bright lines nor a mechanistic approach in accounting for ECLs. Accordingly, companies may need to adjust their approaches to forecasting and determining when lifetime losses should be recognized to reflect the current environment.

The IFRS Foundation and the International Accounting Standards Board continue to work in close cooperation with regulators and others regarding the application of IFRS 9, and the document encourages companies to consider guidance provided by prudential and securities regulators.

Source: IFRS.org

Building a Coherent, Global Approach to Corporate Reporting

NEW YORK - Investors, stakeholders, and society at large need to understand the value of companies beyond what they can glean from conventional financial reports – and this need is even more pressing during uncertain times such as the present.

IFAC published its response to Accountancy Europe's consultation, Interconnected Standard Setting for Corporate Reporting, which addresses the evolution of standard setting to enhance corporate reporting at the global level.

The current corporate reporting system needs to evolve quickly to deal with the challenge posed by a myriad of different jurisdictional requirements and an absence of widely agreed standards in various areas beyond financial reporting. The result is variable quality and lack of comparability, leading to greater cost and inefficient capital allocation for both companies and investors.

As indicated in the IFAC point-of-view on enhancing corporate reporting, a global solution is needed to achieve relevant, reliable, and comparable narrative information and metrics.

"The current reporting ecosystem does not best serve the interests of capital markets, companies or their stakeholders," said IFAC CEO Kevin Dancey. "The options set out by Accountancy Europe to change the corporate reporting system are useful for furthering the dialogue toward a global and coherent solution. We look forward to continuing this conversation with key stakeholders."

In its response to the consultation, IFAC endorsed six recommendations to secure an integrated global reporting structure. These include development of a global approach to international standard-setting, a conceptual framework for corporate reporting, and an oversight structure.

A global approach to these three elements— oversight, framework, and standards—is urgently needed in order to enhance corporate reporting. While this is a challenging time for investors, companies and capital markets, the competition for capital will become more challenging, and the demand for relevant and candid information about organizations will be needed to reliably inform decisions about capital allocation and investor and other stakeholder's assessments of long-term value creation.

Source: ifac.org

IFAC Releases the Fourth Installment of "Exploring the IESBA Code"

An Informational Series to Promote the Code of Ethics

NEW YORK - IFAC released the latest installment of its Exploring the IESBA Code educational series: The Conceptual Framework–Step 3, Addressing Threats.

Exploring the IESBA Code is a twelve-month series providing an in-depth look at the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). Each installment focuses on a specific aspect of the Code using real-world situations in a manner that is relatable and practical. Readers will gain a better understanding of the thought process behind important aspects of the Code through storytelling and expert analysis from professionals involved in developing the standards.

Previous installments of Exploring the IESBA Code looked at the Code's five fundamental principles and key aspects of the conceptual framework, which is a specified approach that all professional accountants are required to use to identify, evaluate and address threats to compliance with those principles. Installment four focuses on addressing threats.

A professional accountant can often come across complex or challenging situations that are not black and white. These challenging situations require ethical considerations, some of which are expressly dealt with in the Code. This unique and informational series was developed by IFAC in collaboration with the International Ethics Standards Board for Accountants (IESBA) to help explain how the Code assists in navigating some of these challenges.

Exploring the IESBA Code was published by IFAC and does not form part of the Code. It is non-authoritative and is not a substitute for reading the Code.

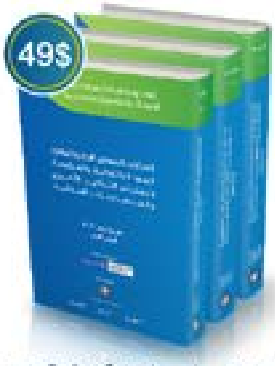
Source: ifac.org

جمعية المجمع العربي للمحاسبين القانونيين (الأردن)

عضو في طلال أبوغزاله فاونديشن

دليل إستخدام معايير التدقيق الدولية للتدقيق على المنشآت الصغيرة ومتوسطة الحجم - الإصدار الثالث (جزئين)

المعايير الدولية لإعداد التقارير المالية ٢٠١٩



إصدارت المعايير الدولية لرقابة الجودة والتدقيق والمراجعة وعمليات التأكيد الأخرى والخدمات ذات العلاقة ٢٠١٨

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المعايير الدولية لإعداد التقارير المالية في المنشآت الصغيرة ومتوسطة الحجم ٢٠١٥

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دليل بيانات التعليم الدولية ٢٠١٧

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التكامل بين إدارة مخاطر المشروعات والاستراتيجية والأداء

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