

المجمع الدولي لعشبي المحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاؤندينشن
Member of TAG-Foundation



IASCA Newsletter

August 2018 - Issue 45

YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS



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

IN THIS ISSUE:-



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



3 Erkki Liikanen Appointed Chair of IFRS Foundation Trustees



2 Training Courses Held in August 2018



4 Feature: Reducing the Gap between Insurance and Other Industries



2 IASCA Issues Its 2018 Manual



6 Gulf Banks' Takeover Fever Rising: Growth or Cost Motivated?

To cope with rapid professional advancements

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

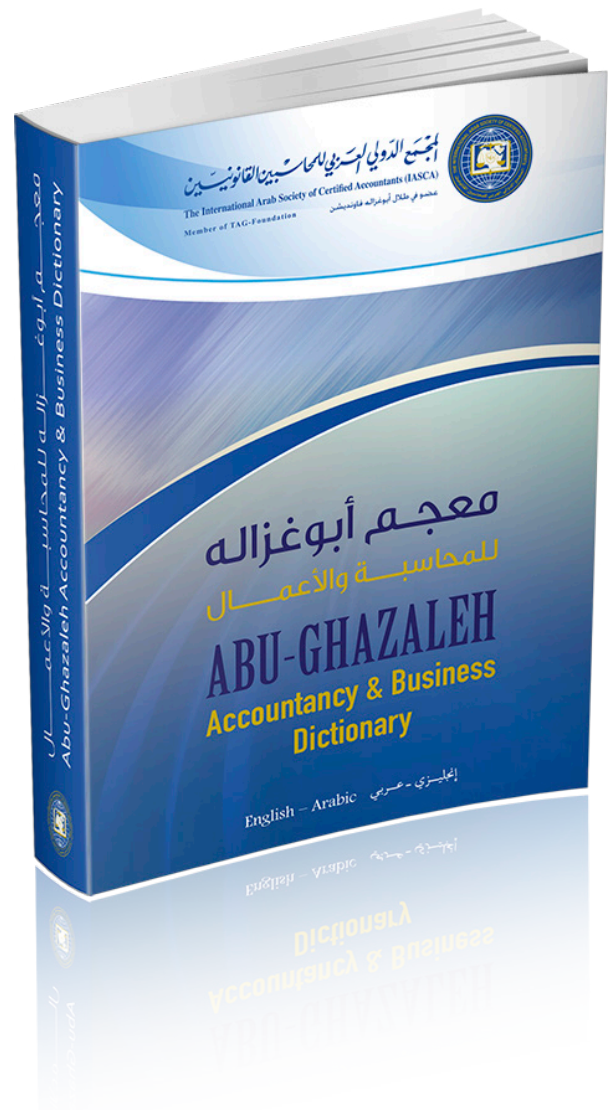
AMMAN - HE Dr. Talal Abu-Ghazaleh, Chairman of International Arab Society of Certified Accountants (IASCA), announced the launch of the third English-Arabic edition of Talal Abu-Ghazaleh Accountancy & Business Dictionary, with new updates.

Dr. 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 of development 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, are the translated versions into Arabic by IASCA, 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.

Training Courses Held in August 2018

JCPA Preparation Course:

AMMAN- The International Arab Society of Certified Accountants (IASCA)-Jordan organized a graduation ceremony for a number of participants in the preparation course for the Jordanian Certified Public Accountant (JCPA) certificate. Participants tackled all aspects of the first paper “Legislation and Laws” as well as the second paper “Accounting and Auditing”. At the end of the course, participants received attendance certificates.

“Income, Sale Tax and their Implementation in Accounting”:

A specialized training course entitled “Income, Sale Tax and their Implementation in Accounting” was held for a number of employees. The course aimed at clarifying sources of income that shall be deemed subject to tax; besides other income sources that shall be deemed exempted from tax, as well as tax acceptable and unacceptable spending and tax remedy for losses, exemptions, donations, property, credit interest, payments for residents and non-residents, salaries and deductions, among



other related issues. At the end of this course, all participants received attendance certificates.

“International Financial Reporting Standards”:

The International Arab Society of Certified Accountants (IASCA)-Jordan held a training course entitled “International Financial Reporting Standards” for the staff of KSA-based Al-Faisal Company. The following standards were addressed during the course: lease contracts, real estate investment, assets, stock, investments, standards related to commercial and real estate companies, in addition to adopting such standards.

IASCA Issues Its 2018 Manual

AMMAN - International Arab Society of Certified Accountants (IASCA) issued the 2018 Manual incorporating the achievements and activities of the Society in 2017. The document also includes the vision of the Society and its future plans for the advancement of its programs and services in the field of finance and business.

This Manual emphasizes the role of IASCA in building capacities related to accounting and

auditing professions at the Arab, regional and international levels, which is considered one of the important objectives for which the Society was established.

To view the manual: please click [here](#)



Erkki Liikanen Appointed Chair of the IFRS Foundation Trustees

LONDON - Former Governor of the Finnish Central Bank Erkki Liikanen has been appointed the Chair of the IFRS Foundation Trustees, bringing significant international economic and policy leadership experience. He succeeds Michel Prada, who has served as Chair since 2011.

The Trustees of the IFRS Foundation are responsible for the governance and oversight of the International Accounting Standards Board, which sets IFRS® Standards now required in more than 140 jurisdictions.

Liikanen takes up the position having served two seven-year terms as Governor of the Bank of Finland. He has also since 2004 been a Governor of the International Monetary Fund and a Member of the Governing Council of the European Central Bank.

Liikanen has many years' experience working internationally. Prior to joining the Bank of Finland, he was a Commissioner at the European Commission, first for Budget and then for Enterprise and Information Society. He served as the Minister of Finance in Finland from 1987 to 2009 and as the Head of the Finnish Mission to the EU at the Ministry for Foreign Affairs from 1990 to 1994. Liikanen was the youngest Finn to become a Member of Parliament at the age of 21, serving for 18 years from 1972.

Outgoing Chair of the IFRS Foundation Michel Prada said:

“It’s been a privilege to be closely involved with the IFRS Foundation for almost two decades, from the establishment of the organization at the start of the millennium through to serving as Chair of the Trustees. I am honored and pleased to hand the reins onto Erkki Liikanen, a highly respected and competent successor. I wish him a successful leadership of the Foundation on the road towards global adoption of IFRS Standards.”

Sheila Fraser, Vice-Chair of the Trustees and Chair of the Nominating Committee, said:



“Erkki Liikanen has an impressive background, combining senior leadership experience at a national and international level with great understanding of finance, economics and policy. I am delighted to welcome him as the new Chair of the Trustees.

I would also like to thank outgoing Chair Michel Prada for his hard work and dedication. He has since 2011 successfully led the IFRS Foundation to its current position where its accounting standards are recognized, respected and used in much of the world.”

Erkki Liikanen said:

“IFRS Standards have a major role in the global financial system. Michel Prada has done an impressive job as Chair of the IFRS Foundation Trustees, and I am proud to succeed him. I look forward to playing my part in the organization’s future success.”

Liikanen has been appointed for an initial three-year term, commencing after the Trustees’ meeting in Johannesburg, South Africa, in October 2018. His appointment follows an extensive global search process led by the Trustees’ Nominating Committee.

The recommendation for his appointment was unanimously supported by the IFRS Foundation Trustees and subsequently approved by the IFRS Foundation Monitoring Board.

Feature: Reducing the Gap between Insurance and Other Industries

By Gary Kabureck, Member, International Accounting Standards Board

Existing accounting practices in the insurance industry are widely perceived as opaque and inconsistent. For companies applying IFRS Standards, the accounting for insurance contracts currently differs significantly from the accounting for other contracts. This diversity poses unnecessary difficulties for potential investors.

In 2017, the International Accounting Standards Board (Board) issued a new IFRS Standard to help address these and other concerns about the accounting for insurance contracts. IFRS 17 Insurance Contracts—which companies will apply in 2021—is the first truly international standard for insurance contracts. Although the requirements in IFRS 17 are very different to existing accounting for insurance contracts in most of the world, they are based on well-known principles from other IFRS Standards. So IFRS 17 will help reduce the comparability gap between the accounting in the insurance industry and the accounting in other industries.

This article outlines the similarities between the following key requirements in IFRS 17 and those in other IFRS Standards:

- the measurement of obligations at current value; and
- the recognition of revenue as a company provides services to its customers.

Obligations to provide services

In an insurance contract (or policy), an insurer promises a customer (or policyholder) that the insurer will assume the financial consequences of uncertain future events. The outcome of the contract is uncertain and the profit or loss for the insurer may not be known for years. Such a contract combines the features of a financial instrument and the features of a service contract so that those components are interrelated and cannot easily be accounted for separately.

IFRS 17 requires an insurer to report on the

IFRS 17 *Insurance Contracts*



balance sheet its obligations from insurance contracts as the total of:

- the current estimates of amounts the insurer expects to collect from premiums and to pay for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts (fulfilment cash flows); and
- the expected profit for providing future insurance coverage (contractual service margin).

Measuring the insurer's obligations at current value is consistent with the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets for provisions and also with those in IFRS9 Financial Instruments for financial liabilities. For liabilities with characteristics similar to insurance obligations, both IAS 37 and IFRS 9 require measurements based on current estimates of future cash flows.

Recognizing profit at the same time services—such as insurance coverage—are provided is consistent with IFRS 15 Revenue from Contracts with Customers.

If the amounts the insurer expects to pay for claims, benefits and expenses exceed the amounts the insurer expects to collect from premiums, the contracts are loss making and no contractual service margin is recognized. The shortfall is recognized immediately in profit or loss because the measurement of the insurance contracts should reflect the obligation of the insurer to provide insurance coverage in the future. The amount of that obligation should be at least equal to the fulfilment cash flows. This approach is consistent

with the way profits and losses on contracts with customers are recognized in applying IFRS 15.

Insurance obligations (that is, the fulfilment cash flows plus the contractual service margin) can also be regarded as having two components:

- liability for remaining coverage—which reflects the insurer’s obligation to provide insurance coverage to its customers and the measurement of which is broadly consistent with IFRS 15¹; and
- liability for incurred claims—which reflects the insurer’s obligation to pay claims to its customers and the measurement of which is broadly consistent with IAS 37.

Presentation of revenue

IFRS 17 requires insurers to present in the income statement the revenue for insurance services determined in a way that is consistent with the general principles in IFRS 15. Consistent with IFRS 15, an insurer depicts revenue for insurance services at an amount that reflects the consideration for the insurer for those services. This means the insurer:

- recognizes insurance revenue in each period as it satisfies the performance obligations in the insurance contracts; and
- excludes from insurance revenue any deposits (referred to as investment components in IFRS 17).

IFRS 17, consistent with IFRS 15, requires that the balance sheet reports the insurance obligations and the income statement reports progress towards satisfying the performance obligation in the contracts. In particular:

- to measure the contract liability at the end of the period, IFRS 15 establishes the amount of revenue to be recognized each period and adjusts the contract liability at the start of the period by the amount of revenue recognized.
- IFRS 17 requires a measurement model that establishes the carrying amount of the insurance obligations at the start and end of

the reporting period. The amount of insurance revenue presented is determined by reference to these two carrying amounts.

Deposits collected by an insurer through premiums are amounts that the insurance contract requires the insurer to pay back to the policyholder even if the uncertain future events do not occur.

The obligations to repay deposits to the policyholder, if not included in an insurance contract, would be measured and presented in accordance with IFRS 9. When a deposit is interrelated with the obligation to provide insurance coverage it is measured in accordance with IFRS 17. However, it would not faithfully represent the similarities between financial instruments within the scope of IFRS 9 and deposits embedded in insurance contracts within the scope of IFRS 17 if an insurer were to present the receipts and repayments of such deposits as insurance revenue and incurred claims. Doing so would be equivalent to a bank recognizing a deposit as revenue and its repayment as an expense. Accordingly, the requirements in IFRS 17 exclude such deposits from insurance revenue and incurred claims.

Conclusion

The changes introduced by IFRS 17 will enable a wider range of users to understand insurers’ financial statements and compare them with the financial statements of companies within and outside the insurance industry. As with the revenue in any other industry, insurance revenue will exclude deposits and reflect only the services provided. Apart from facilitating cross-industry comparability, this change will make easier for non-specialist investors to understand insurers’ income statement.

1 Except that: (i) for insurance contracts without direct participation features—the measurement is updated for changes in financial assumptions; and (ii) for insurance contracts with direct participation features—the measurement is updated for changes in the fair value of the items in which the entity and the policyholder participate



Gulf banks' takeover fever rising: Growth or cost motivated?

No one is raising the alarm over GCC bank performance despite concerns over the impact on balance sheets of the implementation of International Financial Reporting Standards 9 (IFRS 9).

The IFRS 9 introduces changes to the classification, measurement and impairment assessment requirements for financial and change the way in which banks and other financial institutions account for loan losses on their balance-sheets, imposing a longer, more forward-thinking view. GCC banks that are not ready could face non-compliance risks.

Also, the introduction of 5% VAT in Saudi and the UAE has not had a major impact on financial markets, buoyed by a recent rise in oil prices, which could lead to more deposits coming their way.

Still, as the Retail Banker reports, profitability remains an issue that is expected to weigh on the (GCC) banking segment throughout 2018 and into 2019.

“With rising overheads and limited means by which to further raise lending and earnings, banks must find ways to cut costs,” it said.

One such focus is mergers and acquisitions activity.

After a long lull, takeover deals between Gulf banks are kicking up a gear, according to Bloomberg.

Lenders across the region are undergoing their biggest shake-up since 2007, with almost a dozen of them involved in takeovers or mergers over the past two years.

“We will see more bank consolidation in the Gulf Cooperation Council, with most activity likely in the United Arab Emirates,” said Sergey



Dergachev, who helps manage about \$14 billion at Union Investment Privatfonds GmbH in Frankfurt.

“Compared to Saudi Arabia, the population in the U.A.E. is excessively banked with a few large banks and lots of smaller ones.”

There are at least 73 listed banks in the GCC, according to data compiled by Bloomberg. These lenders catered to a population of around 51 million at the end of 2016, according to data compiled by Gulf Research Center.

U.A.E. has 46 commercial banks for 9.5 million people and that does not include investment banks “offshore” in the Dubai International Finance Centre, while Saudi Arabia has 12 local lenders and 14 foreign-bank branches for 33.6 million people, according to central bank data and information from Worldometers.

“Higher compliance costs with the implementation of new accounting standards, rapid technological innovations, the impact of the introduction of value-added taxes and the need for stronger corporate governance frameworks are also adding to costs for banks, adding pressure on small- and medium-sized companies to consolidate,” said Bloomberg.

To read more:

<https://ameinfo.com/money/banking-finance/gulf-banks/>



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

مجتمع طلبة لاوعندلا
 TAG-Org

 **ALMOTAKAMEL**® From **DFIS SOFT**
Office Information Systems For Software

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

This Newsletter is Published by
The International Arab Society of Certified Accountants (IASCA)

© IASCA 2017

Reproduction is permitted provided
that the source is acknowledged.