

المجمع الدولي لعشبي للمحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاؤندينشن  
Member of TAG-Foundation



## IASCA Newsletter

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**YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS**



**Abu-Ghazaleh calls for knowledge transformation of the  
accounting profession**

# IN THIS ISSUE:-



**1** Abu-Ghazaleh calls for knowledge transformation of the accounting profession



**3** The International Arab Society of Certified Accountants (IASCA) participates in a workshop in Petra University



**2** For the 15<sup>th</sup> Year, IFAC's Forum of Firms Renews Talal Abu-Ghazaleh International Membership



**3** IFRS: change is at hand on the balance sheet



**2** The International Arab Society of Certified Accountants participates in the international educational exhibition "to Bridge the Academic Services"



**6** VAT has not impacted deal flow, according to experts

## Advertisement:-

- April Training Course

## Abu-Ghazaleh calls for knowledge transformation of the accounting profession

Dubai – At the IFRS Standards Conference, HE Dr. Talal Abu-Ghazaleh delivered a speech on the low-pace development of the accounting profession due to its practice of cautious change.

Through his speech as a keynote speaker, he addressed his relationship with all international and UN accounting agencies. As chairperson of some of these agencies, he and the team were keen on change and achieved some success in this regard, however, they also faced some obstacles and failure due to resistance for change.

Abu-Ghazaleh stated that: “All fields, activities and institutions worldwide have started transforming to book a place in the knowledge world. Therefore, the tardiness of the accounting profession in this transformation is not accepted anymore.” Accordingly, he called on the IFAC to form a multilateral work team to develop a knowledge transformation program for international institutions, draft accounting standards for private and public sectors and audit and professional conduct standards that comply with and meet all needs of the economic, educational and government knowledge society.

He also stressed that: “This knowledge era requires accounting and audit standards especially for the knowledge companies and products.” So, he again called on the IFAC and IFRS Foundation to initiate the formation of a multilateral work team to review the requirements of the knowledge era in terms of accounting, auditing, reporting and evaluation.



Abu-Ghazaleh suggested selecting the SCOPE to represent the Arab region in this team because of its technical and representing capabilities, its active role both in KSA and the Arab region as a whole and its proven ability to develop and control the quality in controlling accounting and auditing offices.

The conference was held in Dubai on 5th and 6th of March in the presence of many financial officers, decision makers, representatives of Gulf banks and financial institutions as well as financial and banking experts from different GCC countries.

Dr. Talal Abu-Ghazaleh’s speech introduced the invaluable role he played in changing the accounting concept particularly during his time as a board member in IFAC during the periods 1987 – 1990 and 1992 – 1994.

Dr. Abu-Ghazaleh also referred to his experience with Harvard University which was first in developing two systems; one for calculating the mileage for airline flights and another for calculating the scores at hotels in 1995, noting that this should have been the role of both IFAC and IFRS.

Abu-Ghazaleh also presented his focus on accounting standards development while he was chairman of the UN Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) from 1995-1996 and the UN Trust Fund. He also referred to his experience with the World Trade Organization during the period 2012 – 2014 in developing regulations that determine the future of international trade where he called for the development of commercial basics and standards for digital products and the economy.

The conference is an opportunity for different banks and financial institutions in GCC countries to learn more about the international financial reporting standards (IFRS) for banks and financial institutions which have become standardized in many countries following the adoption of the nine operational requirements of these standards.

The adoption of IFRS led to the remarkable development of banks in the GCC countries with the aim of introducing structural and organizational changes to achieve more strength and success.



## For the 15<sup>th</sup> Year, IFAC's Forum of Firms Renews Talal Abu-Ghazaleh International Membership

NEW YORK - The Forum of Firms (FOF), founded by the International Federation of Accountants (IFAC), has recently renewed Talal Abu-Ghazaleh & Co. International (TAGI) membership for the year 2018 after successfully maintaining its membership for the 15<sup>th</sup> year in a row.

In accordance with its membership standards in the FOF, TAGI will continue to demonstrate its commitment highest level of quality in auditing on an international level, and implement quality control standards based on the international standards issued by International Auditing and Assurance Standards Board (IAASB) in addition to the relevant national standards, and will be also committed to have policies and methodologies that conform with the national ethic requirements in the countries where it's operational.

It's worth mentioning that Talal Abu-Ghazaleh & Co. International is the only company from the Arab and the Middle East region that practices audit at an international

level that has been listed as a full member of the Forum of Firms (FOF), whose membership includes the top 27 Global firms.

HE Dr. Talal Abu-Ghazaleh, the first Arab to be elected to the IFAC Board of Directors in 1990, affirmed TAGI's strong commitment to the professional quality and profession's ethics in its practices through the Organization's offices that are dispersed all over the world.

The Forum of Firms (FOF) is an independent association of international networks of firms that perform transnational audits. The objective of the Forum is to promote consistent and high-quality standards of financial reporting and auditing practices worldwide. Members of the FOF are committed to adhering to and promoting the consistent application of high-quality audit practices worldwide.

IFAC is a New York-based global organization for the accountancy profession dedicated to serving



public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of over 175 members and associates in more than 130 countries, representing almost 3 million chartered accountants in the world.

TAGI is a global organization for professional services founded in 1972, providing its services through more than 110 offices worldwide covering various fields such as Accounting, Internal & External Auditing, Capacity Building and other Consulting services

## The International Arab Society of Certified Accountants participates in the international educational exhibition “to Bridge the Academic Services”

Amman - The International Arab Society of Certified Accountants (IASCA) participated in the international educational exhibition “To Bridge the Academic Services” that was organized in Kempinski Hotel on 2nd February, 2018.

The IASCA participation is a part of its professional responsibility towards certified accountants in Jordan and the Arab Countries, and it emphasizes the integrated role played by the IASCA with all professional associations in every Arab country.

IASCA participation in the conference included the preparation



of a special suite that contains many accountancy professional



publications. Gifts and discounts were granted on the professional courses held by the IASCA.

The conference was organized in response to the international developments and changes

on the International Financial Reporting Standards (IFRS) along with the International Auditing Standards (IAS). The conference aims at providing certified accountants in the Arab world with the latest updates and

changes; this will be positively reflected on the quality of work and financial statements, which are one of the decision-making tools used in making administrative and financial decisions.

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## The International Arab Society of Certified Accountants (IASCA) participates in a workshop in Petra University

Amman- The IASCA has participated in an awareness workshop that was held for the students of the accounting department in Petra University about “The Importance of professional certificates and training courses for university students.” The workshop aims at qualifying and providing the students with a professional and practical training before graduation in order to enable them starting out in the labor market with confidence and readiness. Students will be graduated with a professional experience along with the academic education they received at the university.

During the workshop, The IASCA has provided a detailed explanation about the professional certificates in accounting, auditing,

and relevant sciences including a variety of certificates presented by the IASCA such as:

By the end of the workshop, the lecturers of the accounting department have assured the importance of these certificates and training courses along with the students’ need to be enrolled in such courses before setting out to the labor market. The participants

inquired about the professional certificates and their importance in the labor market.

This workshop is one of the workshops presented by the IASCA in order to raise awareness among students of various universities and to enable them gaining the required skills that enhance their competitiveness in the labor market.



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## The International Arab Society of Certified Accountants (IASCA) participates in a workshop in Petra University



New rules are poised to bring about the biggest shake-up in accounting practice in years. In January 2019, the way

leasing transactions are reported in financial statements will change, and the effects of new balance sheet liabilities could be dramatic.

Anticipating this change is vital. Every business must understand the upcoming impact of International Financial Reporting Standard 16 (IFRS 16) on its statement of financial position (its balance sheet), and every behind-the-scenes adviser needs to appreciate

the new consequences for how real estate transactions are structured.

For those who are not versed in accounting acronyms, the International Financial Reporting Standards are, essentially, a single set of enforceable and globally accepted accounting standards. Used to produce the financial statements of listed companies in 120 jurisdictions worldwide, they are promoted as bringing consistency and comparability that is welcomed by cross-border investors and regulators alike.

The latest incarnation of these standards, IFRS 16, has been available on a voluntary basis for early adopters since January 2016.

However, from 1 January 2019, it will become mandatory when compiling the consolidated accounts of all UK public companies. It will also apply retrospectively for financial years ending at any time after that date.

### **No accounting distinction between operating and finance leases**

The headline change is that IFRS 16 eliminates the distinction between operating and finance leases for lessee accounting purposes.

Currently, tenants need to include only finance leases as assets on their balance sheets. Operating leases are treated as expenses, so the liabilities of rents (and other outgoings) appear as they fall due but do not impact the overall balance sheet position.

This distinction has been an important one, going to the heart of how companies

structure their relationships with property. A finance lease involves the risks and rewards of asset ownership transferring, ultimately, to the tenant. This is more likely in cases with highly specialised or modified properties, but a finance lease label can be applied where there is an option to extend a lease at substantially under-market rent. All other leases, including the run-of-the-mill FRI lets, tend to be operating leases. Classification can prove challenging, but it is usually done at the inception of a lease arrangement. Where the nature of a lease changes over its term, it might become a finance or an operating lease moving forward, but original accounting entries are not retrospectively amended.

From next year, all operating leases above a rental de minimis and with a term over 12 months will be capitalised as right-of-use assets, meaning that practically all rental agreements will become front-loaded balance sheet liabilities. Landlords will be subject to some additional disclosure requirements, but crucially, tenants' balance sheets will appear more asset rich, but also more heavily indebted.

### **Increased balance sheet volatility**

As balance sheets are affected, so are the key ratios that underpin corporate borrowing. Leverage is an established financing metric, but without accommodating drafting, existing financial covenants in loan agreements could be breached as gearing ratios or interest cover changes, potentially triggering events of cross-default.

For its new definition of "financial indebtedness", the Loan Market Association's own financial covenants test appears to have

settled for now on referring to a frozen concept of a "finance lease", but we might expect a more long-term solution to work with updated IFRS 16 standards.

Many hope that improving the visibility of lease obligations could have a positive impact on the cost of borrowing. Last year, the chairman of the International Accounting Standards Board, Hans Hoogervorst, fairly pointed out that "the majority of credit providers and rating agencies already take [operating lease liabilities] into account when evaluating a company's ability to pay its bills, albeit often in an imprecise manner." It is clearly an inexact science, but corporates can currently expect about 8% of off-balance sheet leasing liabilities to be accounted for one way or another.

IFRS 16 will have the greatest impact on businesses with a large portfolio of short-leaseholds, such as retailers and hotel operators. IASB research from 2014 provides a salutary reminder that 85% of all lease liabilities will now count as formal financial indebtedness, potentially hiking levels of interest-bearing debt. Of course, it's not all bad news, but reported operating profits will increase as the leases are capitalised. Management incentives dependent on earnings before interest, taxes, depreciation and amortization (EBITDA) could benefit as it grows with the new rules.

### **Brexit impact**

There is still no firm indication of what our accounting landscape will look like in the post-Brexit environment. The IFRS





framework was introduced in the EU in January 2005, but unless legislation incorporates it directly into the UK, we risk an accounting rules interregnum after March 2019, just a few weeks after IFRS 16 becomes mandatory.

The accounting industry is still waiting for the government to be clear on this point. Worryingly, the Institute of Chartered Accountants of Scotland has pointed out that since the EU is a major and influential user of IFRS, Brexit might well mean sacrificing our national voice on how the standards are set and maintained. Still, there doesn't seem to be a viable alternative to IFRS 16. ICAS also warned against the retrograde step of ditching the standards, pointing out that the UK's Generally Accepted Accounting Principles model is not entirely fit for purpose when it comes to listed companies.

In the meantime, without any government steer, it is sensible to assume the new rules are coming.

### **Preparation is key**

Awareness is essential to strategic and cost-efficient planning. The full impact of IFRS 16 will become apparent in time, but considering possible implications now will help tenant advisers develop transaction structures that are less vulnerable moving forward.

### **Tenant corporates should therefore consider the following:**

Review existing leasehold inventories: corporates must audit their data and capture all the required information to ease the

path to compliance, asking, for example: is the available data robust? Do existing IT systems capture the required information efficiently?

**Model existing data on an IFRS 16 balance sheet:** this exercise will help to highlight any impact of the new accounting rules on existing financial covenants. It is important to plan for conversations with investors, analysts and banks in the event that financial covenant breaches could be triggered by IFRS 16 balance sheets.

**Budget costs for compliance:** it is important to speak to accountants early to budget in any practical costs of compliance.

**Consider IFRS 16's impact when negotiating new financing deals:** when entering into new lending, be aware of financial covenants that are measured by reference to accounts. Ensure covenants are unaffected by changes in accounting requirements, and ask questions about the tolerance of lenders for financial covenant breaches triggered by IFRS 16 balance sheets.

**New leasehold transactions:** new leasing transactions must consider future accounting implications and the limited exemptions to balance sheet disclosure involving term or rental levels. It is not yet known how these will be applied. Low-value leases (less than £3,000 pa) or those with a term of 12 months or less, are not generally captured by IFRS 16, but there is currently uncertainty about the use of short-term interests coupled with

purchase or renewal options. Such a structure might not circumvent disclosure where the options are likely to be exercised (eg where the tenant incurs initial capital expenditure on a fit out). Also, review other relevant clauses that tend to refer to applying specific accounting standards, for example, in connection with releasing guarantors or repaying rent deposits. Financial modelling should assess the impact of IFRS 16 on desired counter-party stability or the likelihood of being able to evidence covenant strength.

**Proposed sale and leaseback transactions:** with new accounting requirements for this structuring mechanic, ask, what disclosure will the transaction require on the part of the lessee and what impact will this have? Is there an impact of a discounted purchase price and the need to "top up" on accounts? Heralded as one of the "most significant developments" in the history of IFRS, the new rules will provide investors and regulators with more transparent and reliable information about a company's leasing commitments, but they carry the risk of considerable cost and upheaval.

The better prepared the client, and the more aware the adviser, the easier it is to mitigate the immediate impact.

Clare Harman Clark is a professional support lawyer at Taylor Wessing

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## VAT has not impacted deal flow, according to experts

The implementation of 5 percent value-added tax (VAT) in the UAE and Saudi Arabia has not impacted deal flow in the GCC, even as many companies found themselves unprepared, according to experts speaking at the Institute of Chartered Accountants in England and Wales (ICAEW) corporate finance faculty roundtable in Dubai.

According to the panellists, despite the fact that the flows of deals was not impacted there remain uncertainties regarding the items subject to the tax, as well as a sentiment of denial” across businesses that affected their ability to be ready on time. Now, however, businesses are embracing VAT.

“We are living in a very exciting period,” said Michael Armstrong, FCA and ICAEW regional director for the Middle East, Africa and South Asia (MEASA). There is no doubt that VAT implementation will improve business conditions and create more stable economies over the long run.”

The panel noted that many businesses do not have access to consultants with VAT experience, which means that smaller businesses with no access to tax advice are struggling with the compliance processes.

The panellists added that while some businesses experienced a negative consumer reaction to the implementation of VAT, it is likely to only be a short-term effect that is negated by the positive long-term economic impact of VAT.

Among the sectors that the panellists identified as significantly affected by VAT are the construction, real estate and export industries. They noted that because



of the long tenure of construction projects, businesses with existing contracts hadn’t factored in VAT when planning and found it difficult to pass the cost of the tax onto their customers.

Many panellists applauded the UAE government’s efforts to provide guidance to make the tax’s implementation process as simple as possible for stakeholders.

“As a young legislative body, it’s tough for the UAE tax authority to address all concerns raised by businesses,” Armstrong added. It has been a hasty incorporation process, but as time unfolds, VAT will create a more transparent, credible and internationally accepted economy.

“Time will tell whether this increased transparency will make the UAE more or less competitive,” he added. Arabian Business Publishing Ltd

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جمعية المجمع العربي للمحاسبين القانونيين (الأردن)  
عضو في طلال أبوغزاله فاونديشن



2018

April

نيسان - ابريل

#	عنوان الدورة	الساعات التدريبية	تاريخ الانعقاد	الايام	الرسوم بالدينار
١	الدورة التأهيلية لشهادة محاسب دولي عربي قانوني معتمد "IACPA" (المقاعد محدودة)	١٦٠	٢٠١٨/٤/٨	الأحد - الثلاثاء - الخميس	٦٠٠
٢	الدورة التأهيلية لشهادة مزاوله مهنة المحاسبة القانونية في الأردن "JCPA" (المقاعد محدودة)	١٢٤	٢٠١٨/٤/١٦	السبت - الأثنين - الأربعاء	٥٠٠
٣	تطبيقات عملية على محاسبة التكاليف	١٦	٢٠١٨/٤/٤-١	الأحد - الأربعاء	٢٥٠
٤	التحليل المالي باستخدام أوراق العمل Ms Excel	١٦	٢٠١٨/٤/٤-١	الأحد - الأربعاء	٢٥٠
٥	المالية لغير المالمين	١٦	٢٠١٨/٤/١١-٨	الأحد - الأربعاء	٢٥٠
٦	معايير المحاسبة الدولية والتعديلات الحديثة عليها	١٦	٢٠١٨/٤/١١-٨	الأحد - الأربعاء	٢٥٠
٧	تطبيقات عملية على تقنيات تحليل المخاطر في التدقيق	٢٠	٢٠١٨/٤/١٩-١٥	الأحد - الخميس	٣٠٠
٨	تطبيقات المحاسبة العملية وتأهيل المحاسبين إلى سوق العمل	٢٤	٢٠١٨/٤/٢٦-٢١	السبت - الخميس	٢٥٠

خصم ١٠%

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