

المجمع الدولي لعشبي للمحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاؤندينشن  
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# IASCA Newsletter

October 2018 - Issue 47

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



**IASCA Participates in the World Standard  
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## IASCA Participates in the World Standard Setters Conference



LONDON - The International Arab Society of Certified Accountants (IASCA) participated in the annual conference of World Standards Setters (WSS) convened by the International Financial Reporting Standards (IFRS) Foundation.

IASCA Executive Director Mr. Salem Al Ouri said that the participation in the conference comes in line with the vision of the Society and its Chairman HE Dr. Talal Abu-Ghazaleh in the exchange of international experiences in the area of the international standards, and to keep abreast of any new developments in this field, so that the Society may perform its duties in accordance with the best practices.

During the inauguration ceremony, Mr. Hans Hoogervorst, chairman of the International Accounting Standards Board (IASB), stressed the importance of the role of National Standards Setters in providing the opinions, the proposals, and the information that are considered a vital tool to the development of the International Financial Reporting Standards.

The conference shed light on a number of topics, including implementation strategy of the new International Financial Reporting Standards, namely: the International Financial Reporting Standard 9

“Financial Instruments”, the International Financial Reporting Standard 15 “Revenues Generated from Contracts Concluded with Clients”, the International Financial Reporting Standard 16 “Leasing Contracts”, and the International Financial Reporting Standard 17 “Insurance Contracts”, as well as goodwill and depreciation of assets, financial instruments, risk management, and inter-bank exchange rate were also discussed.

Also during the conference, a number of sessions were organized to discuss the conceptual framework of the International Financial Reporting Standards, their nature, goals, and the need to apply them.

The International Accounting Standards Board (IASB) organizes an annual conference for the standards setters all over the world with the aim to exchange experience in the fields of approval, adoption, application of international standards for the preparation of financial reports, consulting about the agenda of the International Accounting Standard Board, making some updates on the developments of international standards and reviewing of received opinions about the drafts of the presentation of new standards and discussing them during the conference.

## IACMA Examination Results of October, 2018 Announced 41% Success Rate

AMMAN - The International Arab Society of Certified Accountants (IASCA) announced the examination results of the International Arab Certified Management Accountant (IACMA) certificate, October 2018 session.

A number of students sat for the IACMA exams from around the Arab world, 41% out of them successfully passed the exams.

It is worthy to mention that the International Arab Society of Certified Accountants (IASCA) started holding the IACPA examinations twice a year as of 2015, accordingly, two sessions are being held in April and October.

IASCA congratulates the students who passed the exams and wishes success in the next sessions for those who did not.





## IASB Releases Amendments to Accounting Standard IFRS 3

LONDON - The International Accounting Standards Board (IASB) released amendments to an accounting standard, aligning it closer with its American counterpart.

The London-based IASB said the overhaul to the definition of a business in International Financial Reporting Standard 3 will help companies determine whether an acquisition is made by a business or by a group of assets, the standard setter said in a statement.

Companies reporting under IFRS standards are required to apply the amended definition of a business for acquisitions that occur on or after Jan. 1, 2020. Earlier application is permitted.



IFRS 3 was the result of a joint project between the IASB and the US Financial Accounting Standards Board, which overhauled its definition of a business last year.

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## CECL and IFRS 9: How are They Different?

Financial institutions around the world are revising how they estimate credit losses, but institutions subject to the International Accounting Standards Board's standards have gotten a head start on those that will follow the US Financial Accounting Standards Board's current expected credit loss model, or CECL.

Earlier effective dates of IASB's International Financial Reporting Standard, IFRS 9, aren't the only substantive differences from CECL. Even though both standards incorporate forward-looking models for estimating credit losses of financial instruments, they have distinct differences of which both domestic and international institutions should be made aware.

In an article from KPMG's IFRS 9 Institute, the authors discuss the different implementation challenges for domestic and foreign institutions while explaining the high-level differences between the two standards.

### Effective Dates

IFRS 9 has already been in effect for over half a year. The standard was implemented by financial institutions with annual periods beginning on or after Jan. 1, 2018. CECL goes into effect for financial institutions with annual periods beginning after Dec. 15, 2019 for SEC filers and periods after Dec. 15, 2021 for non-public business entities (PBEs).

### Challenges

US financial institutions who are complying with IFRS9 for their foreign



operations may want to leverage some of their existing model work for CECL adoption. KPMG predicted in the article that "US banks will consider IFRS 9's requirements relative to their expected CECL decisions to limit undue organizational complexity and operational burden for foreign reporting purposes."

Although the largest impact of CECL and IFRS 9 will be observed in bank and credit unions, alternative lenders may experience challenges given that they are often not regulated as heavily as banks. This means that if an alternative lender holds financial assets, they will most likely have to undergo a larger organizational shift to ensure that their models are compliant.

### Measurement of Expected Credit Losses

One of the primary differences discussed in the KPMG article was the projection of losses for financial instruments. CECL requires that all instruments are projected over the life of the loan. IFRS 9, however, varies its projection requirement based on whether an asset is classified as stage 1, 2 or 3.



According to BDO UK, stage 1 classification consists of assets where credit risk has not increased significantly since initial recognition, and stage 2 occurs when credit risk has increased. Stage 3 is when a financial asset is considered credit impaired. Assets classified as stage 1 only need to have their losses projected over 12 months. Assets classified as stage 2 and 3 are similar to CECL and have a life-of-the-loan requirement. Additionally, stage 3 assets should recognize interest income on a net basis.

Garver Moore, managing director of Sageworks Advisory Group, said of the two standards, “A well-considered modeling regime for CECL can be readily varied by changing modeling assumptions to produce stage results under IASB’s IFRS 9 approach, but translation of stage 1 IFRS 9 results to the lifetime notion is a more difficult direction. Application of stage 2 modeling to stage 1 assets to produce a whole-portfolio lifetime loss expectation is theoretically straightforward, but implementation approaches many not be operationally scalable.”

#### Potential Pros and Cons of Both Models

“In our field experience, we have found the impact to capital concerns under CECL to be exaggerated, at least under present economic outlooks,” Moore

added. “A large part of this stems from the banking industry’s tendency to over-reserve under an ‘incurred’ notion through use of post-hoc adjustment. Credit unions and non-depository institutions may find the impact more severe. However, CECL gives institutions extremely broad latitude in presenting investors with a good faith estimate of lifetime credit loss exposure, taking into account reasonable expectations about the future, while the IASB standard at least offers more prescriptive guidance on classification and treatment within those classifications.”

Whether institutions have already implemented IFRS 9 and are preparing for CECL, or if they only need to comply with one of the two models, there are solutions available to assist in making and sustaining practical transitions.

Amanda Rousseau is ALL marketing manager at Sageworks, where she works to educate accountants and bankers on the intricacies of the allowance for loan and leases losses and helps them optimize portfolio risk processes.

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## IAASB Revises Standard for Auditing Accounting Estimates

The International Auditing and Assurance Standards Board has released a revised standard for auditing accounting estimates and several related disclosures.



International Standard on Auditing (ISA) 540 (Revised) aims to help auditors of banks, insurance companies and other financial services firm deal with new accounting standards from the International Accounting Standards Board, and the Financial Accounting Standards Board for loan provisions and insurance contracts, especially the estimates associated with them.

- An improved risk assessment requires auditors to consider complexity, subjectivity and other factors, along with estimation uncertainty, more thoroughly, thinking more about the risks inherent in accounting estimates.
- There’s a tighter link between the risk assessment and the data, methods and assumptions employed in producing accounting estimates, including the use of complex models.
- Specific material demonstrates how the standard can be applied to all kinds of accounting estimates.
- The standard emphasizes the need to exercise appropriate professional skepticism when auditing accounting estimates, encouraging a more skeptical and independent mindset for auditors.

The revised ISA 540 standard is part of the IAASB’s wider effort to improve audit quality around the world. It’s also the first to be finished in a broader program known as “Addressing the Fundamental Elements of an Audit.” Some of the main changes in the revised standard include:



ISA 540 (Revised) takes effect for financial statement audits for periods starting on or after Dec. 15, 2019.

The IAASB operates with the support of the International Federation of Accountants. Both the IAASB and IFAC have come under pressure in the past year from the Monitoring Group, a group of financial and audit regulators from around the world, to open up the standard-setting process further to people from outside the accounting and auditing profession (see IFAC offers possible solutions to resolve dispute

over standard-setting). The IAASB is encouraging other parties in the financial reporting supply chain, especially regulators, national standard-setters and firms, to work together on implementing the revised standard, which could have a far-reaching impact on the audit of financial statements. The IAASB said it would provide implementation support to help auditors navigate and apply the revised standard.

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## Trend; Nine Insurance Associations Suggest to IASB A Two-year Delay Needed to Implement IFRS 17 Successfully

LONDON - A global group of nine insurance associations has written a joint letter to Hans Hoogervorst, chair of the International Accounting Standards Board (IASB), that highlights the industry's concerns about the International Financial Reporting Standard (IFRS) 17 for insurance contracts.

Extensive testing, together with insurers' detailed implementation planning, has confirmed that a number of important issues still need to be resolved in order to ensure the quality and operational practicability of the new standard.

There is also industry-wide agreement that a delay of two years is needed, both to allow for the necessary improvements to be made to the standard and for adequate time for companies to tackle the significant implementation challenges that IFRS 17 presents.



The fact that so many insurance associations from around the world have signed this letter demonstrates the importance and urgency to have a decision on a delay and for the IASB to move forward on the necessary improvements.

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Under the patronage of

**HE. Mr. Zayed R. Alzayani**

**Minister of Industry, Commerce and Tourism - Kingdom of 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

Wyndham Grand Manama Hotel, Building 316 Road 4609 Manama Seafront 346 Bahrain Bay  
Manama, Kingdom of Bahrain.

**The Conference will focus on two main issues:**

- Impact of Information Technology Revolution on Accounting and Auditing Profession, and the Development of Accounting Programs.
  - Digital Accounting Education.
- » Registration is free of charge.
- » For those who are interested to attend should fill the registration form available on the conference website.
- » An attendance certificate will be granted to the conference participants.

**For inquiry and registration:**

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

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عضو في طلال أبوغزاله فاونديشن



## دورات شهر ١١ / ٢٠١٨

#	عنوان الدورة	عدد الساعات	تاريخ الانعقاد	الأيام	الرسوم بالدينار
١	الدورة التأهيلية لشهادة التمويل الإسلامي "CIMA"	٨٠	٢٠١٨/١١/١١	الأحد - الخميس	٧٠٠
٢	مهارات إعداد وعرض التقارير المالية في المصارف	١٦	٢٠١٨/١١/٧-٤	الأحد - الأربعاء	٢٥٠
٣	ضريبة الدخل والمبيعات وتطبيقاتها من الناحية المحاسبية	١٦	٢٠١٨/١١/١٤-١١	الأحد - الأربعاء	٢٥٠
٤	إعداد وعرض القوائم المالية	١٦	٢٠١٨/١١/٢١-١٨	الأحد - الأربعاء	٢٥٠
٥	تطبيقات المحاسبة العملية والتأهيل الى سوق العمل	٢٤	٢٠١٨/١١/٢١-١٨	السبت - الخميس	٢٥٠
٦	إدارة الفروع المصرفية	١٦	٢٠١٨/١١/٢٨-٢٥	الأحد - الأربعاء	٢٥٠
٧	كتابة التقارير المالية	١٦	٢٠١٨/١١/٢٨-٢٥	الأحد - الأربعاء	٢٥٠

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