

المجمع الدولي لعشبي للمحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاؤندينشن
Member of TAG-Foundation



IASCA Newsletter

October 2017 - Issue 35

YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS



**Abu-Ghazaleh Chairs the Meetings of the Board of Directors
and General Assembly of the International Arab Society of
Certified Accountants**

IN THIS EDITION:-



1 Abu-Ghazaleh Chairs the Meetings of the Board of Directors and General Assembly of the International Arab Society of Certified Accountants



2 Abu-Ghazaleh: ASCA-Jordan Issues the Arabic Version of the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements 2016-2017



3 Abu-Ghazaleh: The Participation of the "Certified Accountants Society" in the World Standards Setters Conference Reflects our Commitment to Participate in the Future of the Profession



4 Islamic Financing Instruments (Sukuk) By: Dr. Rafiq Dwek



5 IASCA Holds IACMA Exam for the Second Time in 2017



6 IASB Responds to Companies' Call for Help with Materiality in Financial Statements



6 New materials: The Role of the IFRS Interpretations Committee in Supporting IFRS Standards



7 A Holistic Look at IFRS Standards: the Role of Post-implementation Reviews



Abu-Ghazaleh Chairs the Meetings of the Board of Directors and General Assembly of the International Arab Society of Certified Accountants



AMMAN - The International Arab Society of Certified Accountants (IASCA) held its annual meeting under the chairmanship of its Chairman HE Dr. Talal Abu-Ghazaleh.

The meeting was held in the presence of members of the Board of Directors and members of the General Assembly of the Society from various Arab countries including Lebanon, Egypt, Jordan, Palestine, Saudi Arabia, the United Arab Emirates, Tunisia, Syria, Libya, Iraq, Qatar, Yemen, Algeria, Bahrain and Sudan.

During the meeting, Dr. Abu-Ghazaleh stressed the importance of keeping up-to date with knowledge development and the evolution of the accounting profession. He pointed out that the Society will work on implementing plans in two directions to achieve this goal. The first is to set up a team to formulate training programs required by the profession in response to rapid technological developments as well as developing existing training and qualifying programs.

He added that the second plan will focus on the formation of an action team to examine the mechanism for the digital transformation of the profession. The team will be composed of accounting experts and experts in information technology. He explained that the Society is capable of leading this transformation, changing the future of accounting, and keeping pace with the information revolution, through its distinguished members from all Arab countries.

He pointed out that the Society has worked on the digital transformation of many training and qualifying programs, and also noted that work is underway to transform all available programs into digital ones and to design an electronic program for the Society's professional exams.

He announced that the Society is working on developing and updating "Talal Abu-Ghazaleh Accountancy & Business Dictionary", which was first launched by Talal Abu-Ghazaleh Organization in 1972 to include 15 thousand terms in all business fields, especially accounting, pointing out that updating this dictionary comes in response to emerging developments and updates in the profession. He

also announced that the Society seeks to provide an Arab service in order to serve the profession and its members, by making the dictionary available free of charge through a smart phone application, by the beginning of 2019.

Mr. Salem Al-Ouri, Executive Director of the Society reviewed the annual report, which witnessed an increase in the number of new members of the Society during the year 2017 with the joining of 23 new members, bringing the total number of members to 1516. He also highlighted the courses and qualifying programs held in the Arab world, which amounted to 327 training courses, benefiting 327 participants.

Additionally, he reviewed the services and activities provided by the Society during the year 2017 including conferences, seminars, workshops and job exhibitions held by the Society, as well as the cooperation agreements the Society reached with a large group of official bodies.

During the meeting, the 2017 annual report was reviewed and approved, as well as the balance sheet, the estimated budget and the activities of the Society still in progress.

Abu-Ghazaleh: ASCA- Jordan Issues the Arabic Version of the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements 2016-2017

AMMAN- HE Dr. Talal Abu-Ghazaleh, Chairman of the Arab Society of Certified Accountants (ASCA -Jordan) announced the issuance of the Arabic version of the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements 2016-2017.

He pointed out that ASCA -Jordan continuously seeks to develop both accounting and management sciences as well as all related principles applicable to all or some professional services. ASCA -Jordan also places a lot of effort to upgrade the competence, practice and code of ethics according to the highest professional levels through the issuance of accounting publications and following-up on the recent developments in accounting and auditing.

The most important changes of the 2016-2017 version are the changes in the operations and audit reports issued by the International Auditing and Assurance Standards Board (IAASB).

A. Add the following standards to enhance the communicative value of the auditor's report:

- ISA 260 (Revised), Communication with Those Charged With Governance;
- ISA 570 (Revised), Going Concern;
- ISA 700 (Revised), Forming an Opinion and Reporting on the Financial Statements;
- ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report; and
- ISA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.



- B. In addition, the following standards have been revised for limited amendments as a result of the new and revised standards in the Auditor Reporting project (ISA 800 (Revised), ISA 805 (Revised), ISA 810 (Revised)).
- C. Changes to certain number of ISAs as a result of the Disclosures project. The changes to the ISAs addressing disclosures are effective for audits of financial statements for periods ending on or after December 15, 2016.
- D. Part I of the Handbook includes to the Consideration of Laws and Regulations in an Audit of Financial Statements in response to the new requirements addressing non-compliance with laws and regulations (NOCLAR) in the International Ethics Standards Board for Accountants Code of Ethics for Accountants. These amendments address actual or perceived inconsistencies of the scope of laws and regulations and approach to identifying and dealing with NOCLAR.



Abu-Ghazaleh: IASCA's Participation in the World Standards Setters Conference Reflects our Commitment to Participate in the Future of the Profession



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

HE Dr. Talal Abu-Ghazaleh in his speech stressed that the participation is consistent with the vision of the Society in providing the Arab market with internationally qualified Arab accountants. The conference highlighted a number of important topics, including the IFRS 17 “Insurance Contracts” and the positive results of the application of this standard, IFRS “Lease contracts” disclosure initiative and the problems arising from this process, the need to use the concepts framework to support the basic principles and the consistency in the adoption of IFRS to prepare financial reports and focusing on the basic principles of the conceptual framework, as well as amendments to international standards that will be included in the coming years for several

Standards, including International Reporting Standards 9, 3, and International Accounting Standards IAS 8, 16.

The conference included several sessions that discussed the requirements of translation, adoption and dissemination of the Standards around the world, working with legislative bodies to support the adoption and application of international standards, as well as practical cases of financial performance reports.

The International Accounting Standards Board (IASB) organizes an annual conference for the standards setters all over the world to exchange expertise. 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.



Islamic Financing Instruments (Sukuk)

Prepared by: **Dr. Rafiq Tawfiq Al Dweik**
ASCA (Jordan) BOD Member

The second part of the article: accounting treatments for the issuance and Sukuk of Islamic Sukuk

The most important Islamic Sukuk issuance and trading processes that require accounting treatment are as follows:

1. Accounting treatment for the issuance of Islamic Sukuk.
2. Accounting treatment for the purchase of the project or transaction's assets subject to Sukuk
3. Accounting treatment of the issuance of sukuk expenses and the like.
4. The accounting treatment of the current expenses and the periodic returns of Sukuk.
5. Accounting treatment of operating profit of Sukuk.
6. Accounting for the distribution of the operating profits of Sukuk.
7. Accounting treatment of operating loss of sukuk.
8. Accounting treatment for amortizing and liquidating of Sukuk.
9. Accounting treatment of capital gains of Sukuk.

First: The books of the issuing company of the Sukuk (the Special Purpose Company – SPC)

1. Accounting treatment for the issuance of Islamic Sukuk.

If it is assumed that the Company (SPC) has issued a prospectus of public offering for sukuk (lease contract of residential complex) for JD34 million, and was fully underwritten by the participants.

Recording IPO transaction:

Debit /the bank account JD34 000 000
Credit /sukukholders JD34 000 000

2. Accounting treatment for the purchase of the Project or transaction's assets subject to Sukuk.

Assuming that the purchase was made for an amount of JD34 million:

Debit / real-estate (the asset) JD34 000 000
Credit /the bank account JD34 000 000

3. Recording of conversion of project's assets account to the project accounts:

Debit/Project assets (contra account)
JD 34,000,000
Credit/real-estate (the asset) JD34 000 000

4. Closing the sukukholders' account and recording it as contra account:

Debit /sukukholders JD 34 000 000
Credit/sukukholders (contra account)
JD34 000 000



5. Accounting treatment of the issuance of sukuk expenses and the like:

If it is considered that the issuing company that will manage the issue process of the Sukuk will incur underwriting expenses, it must open an account under the name of “Studies, Advertising and Issuance Expenses” and the like and to be amortized over several years. Sukukholders will not be liable for such expenses.

If it is stated in prospectus that these expenses are the expenses of the sukuk, in this case underwriting expenses shall be treated on the same manner of Mudaraba expenses. In this case, such expenses are treated as deferred charges which are amortized over several periods depending on the duration of the Project or the transaction for which the Sukuk was issued.

The first opinion is most likely and the accounting treatment is as follows:

An account shall be established in the SPC books under the name of “ deferred expenses” and to debit it with all items of deferred income expenses, including but not limited to the following:

Debit / deferred expenses: studies and consultancy expenses.

Debit / deferred expenses: advertising expenses.

Debit / deferred expenses: promotion and marketing expenses.

Credit / bank account

6. The accounting treatment of the current expenses and the periodic returns of Sukuk:

- Current expenses of sukuk are accounted for in the Income Statement.
- Current proceeds (gains) arising from Sukuk are treated in the Income Statement.



Transactions records are as follow:

Debit/.... expense
Credit/bank account

Debit/Project account (up to receive the revenue)
Credit/revenues

Debit/bank account (when receiving the revenue)
Credit/Project account

7. Expenses paid on behalf of the project:

Debit/Project account (up to receive the amount)
Credit/bank account
Debit/bank account (when receiving the amount)
Credit/Project account

Second: The Project's books

1. Recording receiving assets process from SPV:

Debit/lease buildings JD34 000 000
Credit/sukukholders JD34 000 000

2. Recording the assets within the assets' accounts (in case of a financial lease):

Debit/assets for lease JD34 000 000
Credit/lease buildings JD34 000 000

3. Debiting lessee account by the financial lease contract value:

Debit/lessee's account JD36 772 713
Credit/lease installments JD34 000 000
Credit/lease revenues JD2 541 500
Credit/SPC's account (its revenue portion)
JD231 213

4. Recording any expenses related to the Project:

Debit/..... expense JD000
Credit/bank account/SPC/payables JD000

5. Recording depreciation expenses annually until the accumulated depreciation reaches the value of the leased assets:

Debit/depreciation expense JD34 000 000
Credit/accumulative depreciation JD34 000 000

6. Recording the receipt of the semi-annual installments of the tenants until the full value of the tenants is amortized at the end of the Project life:

Debit/bank account JD36 772 713
Credit/lessee's account JD36 772 713

7. Recording the payment of the share of SPC from the periodic revenues until the full value of their share is paid:

Debit/SPC's account (its revenue portion)
JD231 213
Credit/bank account JD231 213

8. Amortizing the accumulated depreciation at the end of the project life:

Debit/accumulative depreciation JD34 000 000
Credit/assets for lease JD34 000 000

9. Recording profits at the end of the project life on the Sukukholders' accounts:

Debit/lease revenues JD2 541 500
Credit/sukukholders JD2 541 500

10. settling the Sukukholders' accounts:

Debit/sukukholders JD36 541 500
Credit/bank account JD36 541 500

11. Accounting treatment of amortization of investment Sukuk:

It may be the policy of the issuer (SPC) to amortize sukuk by purchasing them from the sukukholders according to the prevailing market value at the time of purchase. The difference between the par-value of the repurchased sukuk and the nominal carrying amount has a capital gain or capital loss that is earned or fined by SPC away from the sukukholders. The transaction record to be:

Debit/sukukholders (amortized par-value)
Debit/capital loss (as the case may be)
Debit/bank account
Debit/capital gain (as the case may be)

Islamic Financing Instruments (Sukuk)

AMMAN- the International Arab Society of Certified Accountants (IASCA) held the International Arab Certified Management Accountant (IACMA) exam throughout the Arab world for the second time in 2017, where a course was held in April 2017.

The certificate aims to qualify participants to the highest levels of management accounting to enable candidates to analyze financial statements in accordance with financial reporting standards and risk

management and increase knowledge in multiple areas of management, financial accounting, cost accounting, economics and finance.

The results of the October exams will be announced at the beginning of November 2017 through the Society's website.



IASB Responds to Companies' Call for Help with Materiality in Financial Statements

LONDON - The International Accounting Standards Board (IASB) issued guidance on how to make materiality judgments. The publication encourages companies to apply judgment instead of using IFRS requirements as a checklist, so that financial statements focus on the information that is useful to investors. The Board is also consulting separately on proposed clarifications to the definition of 'material' information in financial statements.

The concept of materiality is important in the preparation of financial statements, because it helps companies determine which information to include in and exclude from their reports. Companies make materiality judgements not only when deciding what information to disclose and how to present it but also when making decisions about recognition and measurement.

Some companies are unsure about how to make materiality judgements and have therefore used the disclosure requirements in IFRS Standards as a checklist. To encourage behavioral change and provide support to companies making such judgements, the



Board has issued IFRS Practice Statement 2 Making Materiality Judgements.

The Practice Statement gathers all the materiality requirements in IFRS Standards and adds practical guidance and examples companies may find helpful in deciding whether information is material. The Practice Statement is not mandatory and neither changes requirements nor introduces new ones.

<http://www.ifrs.org/news-and-events/2017/09/iasb-issues-ps2-and-publishes-definition-of-material-ed/>

New Materials: The Role of the IFRS Interpretations Committee in Supporting IFRS Standards

LONDON- The IFRS® Foundation has published new materials to explain how the International Accounting Standards Board (Board) supports companies in their implementation and application of both new and existing IFRS Standards.

In supporting the application of existing Standards, the IFRS Interpretations Committee plays an important role.

In short video, Vice-Chair of the Board Sue Lloyd—who also chairs the Interpretations Committee—together with committee members John O'Grady and Bertrand Perrin, explains the remit of the IFRS Interpretations Committee and the different ways in which it deals with questions on the application of IFRS Standards.

A new leaflet summarizing the wide range of activities undertaken by the Board to



support implementation and application of both new and existing Standards has also been published.

September 2017 IFRIC Update published

The September 2017 IFRS Interpretations Committee Update (IFRIC Update) has been published.

View this IFRIC Update and previous Updates here. Topics discussed at the September 2017 meeting:

Items on the current agenda

- IAS 28 Investments in Associates and Joint Ventures—Acquisition of an associate or joint venture from an entity under common control (Agenda Paper 5F)

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Costs considered in assessing whether a contract is onerous (Agenda Paper 5D)

Item recommended to the Board for Annual Improvements

- IAS 41 Agriculture—Taxation in fair value measurements (Agenda Paper 3)
- Committee’s tentative agenda decisions
- IFRS 15 Revenue from Contracts with Customers—Revenue recognition in a real estate contract (Agenda Paper 2)
- IAS 28 Investments in Associates and Joint Ventures—Contributing property, plant and equipment to an associate (Agenda Paper 4)

Committee’s agenda decisions

- IFRS 1 First-time Adoption of International Financial Reporting Standards—Subsidiary as a first-time adopter (Agenda Paper 5C)
- IFRS 9 Financial Instruments—Financial assets eligible for the election to present changes in fair value in other comprehensive income (Agenda Paper 5A)
- IAS 12 Income Taxes—Interest and penalties related to income taxes (Agenda Paper 5B)
- IAS 38 Intangible Assets—Goods acquired for promotional activities (Agenda Paper 5E)

<http://www.ifrs.org/news-and-events/2017/09/new-materials-the-role-of-the-ifrs-interpretations-committee-in-supporting-ifrs-standards/>

A Holistic Look at IFRS Standards: the Role of Post-implementation Reviews

By Gary Kabureck, Member, International Accounting Standards Board

At the International Accounting Standards Board (Board), developing new IFRS® Standards to improve financial accounting and reporting is our stock in trade. However, no matter how comprehensive the development process is, for a variety of reasons there may be a need to make subsequent amendments.

Mostly these amendments have been either narrow in scope or transaction-specific in nature and come to us from a variety of sources such as recommendations from our IFRS Interpretations Committee. But we also stand back and take a holistic look at an entire Standard after it has been in use for some time. We call this activity a Post-implementation Review (PIR).

These are a relatively new process for us. To date, we have completed PIRs on IFRS 3 Business Combinations and on IFRS 8 Operating Segments. Currently, we are asking stakeholders to provide information to our third PIR, which is on IFRS 13 Fair Value Measurement, with comments and other input due on 22 September.

The PIR process in a nutshell
The Board’s Due Process Handbook



outlines why, when and how we conduct PIRs. First, let’s be clear: a PIR is not intended to be a cover-to-cover reconsideration of the entire underlying Standard. It starts with an initial assessment of how well the new Standard is performing in practice and includes outreach to the Board’s consultative network.

Whilst not reopening the Standard, we look at a number of things, including: have the Standard’s objectives been achieved? Are the Board’s requirements on the most difficult or conscientious issues performing as intended? Have new issues emerged since the Standard was issued? Are the compliance costs consistent with expectations?

After the initial assessment, the Board may determine no additional research is necessary. However, if important issues are identified, we



then publish a formal Request for Information (RFI), seeking input on specific topics from any interested constituent. After the RFI responses are analyzed, the Board then determines the next steps, which could range from standard-setting to a conclusion that no additional work is necessary.

For example, our PIR on IFRS 3 Business Combinations identified important challenges with its definition of a business and in evaluating goodwill for potential impairment. On the first issue, we are near finalization of a revised definition of a business, and on the second, we are deep into a research project on the subsequent accounting for acquired goodwill, including potential improvements to our impairment testing requirements.

The possible outcomes of the process are summarized as follows:

1. IFRS Practice Statement 2: Making Materiality Judgements (Practice Statement) provides companies with guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

The need for materiality judgements is pervasive in the preparation of financial statements. IFRS Standards require companies to make materiality judgements in decisions about recognition, measurement, presentation and disclosure.

2. The Practice Statement:

- provides an overview of the general characteristics of materiality;
- presents a four-step process companies may follow in making materiality judgments when preparing their financial statements; and
- provides guidance on how to make materiality judgements in specific circumstances; namely, how to make materiality judgements about prior-period information, errors and covenants, and in the context of interim reporting.

The Practice Statement is a non-mandatory document. It does not change or introduce any requirements in IFRS Standards and companies are not required to comply with it to state compliance with IFRS Standards.

Companies are permitted to apply the guidance in the Practice Statement to financial statements prepared any time after September 14, 2017.

<http://www.ifrs.org/news-and-events/2017/09/role-of-post-implementation-reviews/>





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

50%
Up to
OFF

**The International Arab Certified
Public Accountant
Up to 50% OFF**

IACPA

Register NOW for December 2017 Exam

Call us at

+962 (6) 5100 900 Ext.: 1535, 1536

E-Mail: asca.students@iascasociety.org | Website: iascasociety.org

جمعية المجتمع العربي للمحاسبين الفانونيسين (الأردن)
عضو في طلال أبوغزاله فاونديشن



دورات شهر أكتوبر (تشرين الأول) ٢٠١٧

#	عنوان الدورة	الساعات التدريبية	تاريخ الانعقاد	الايام	الرسوم بالدينار
١	إعداد وتحليل قائمة التدفقات النقدية	١٦	٢٠١٧/١٠/١٨-١٥	الأحد - الأربعاء	٢٥٠
٢	المالية لغير الماليين	١٦	٢٠١٧/١٠/٢٥-٢٢	الأحد - الأربعاء	٢٥٠
٣	تطبيقات عملية على تقنيات تحليل المخاطر في التدقيق	٢٠	٢٠١٧/١١/٢-١٠/٢٩	الأحد - الخميس	٣٠٠

info@iascasociety.org | www.ascasociety.org

هاتف: (٥١٠٠٩٠٠) - فرع: ١٥٩٩ / ١٥٢٩ / ١٥١٤



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.