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عضو في طلال أبوغزاله فاوندیشن
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YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS

International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements 2021

Abu-Ghazaleh: Issuing the Arabic Translated Version of the "International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements 2021" Handbook

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In cooperation between IASCA and IFAC

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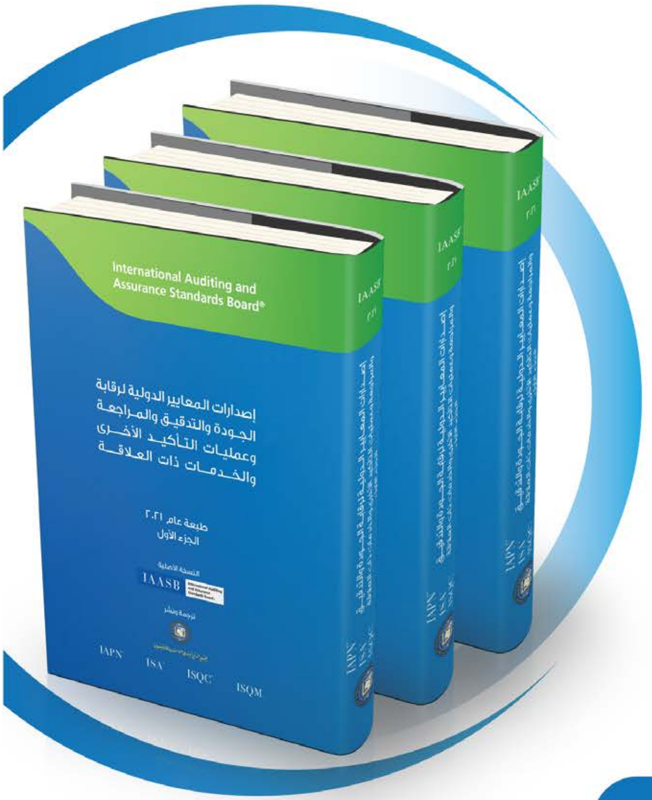

International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements 2021

AMMAN - HE Dr. Talal Abu-Ghazaleh, chairman of the International Arab Society of Certified Accountants (IASCA), announced the publication of the most recent updated Arabic translated version of the "International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements 2021" handbook, in cooperation between IASCA and the International Federation of Accountants (IFAC).

In this regard, Dr. Abu-Ghazaleh outlined the most important amendments in this version as follows:

1. ISA 315 (Revised 2019) "Identifying and Assessing the Risks of Material Misstatement" has been incorporated into the 2021 IAASB Handbook.
2. The following standards, which are not yet effective, have been included in this edition:
   - ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements
   - ISQM 2, Engagement Quality Reviews
   - ISA 220 (Revised), Quality Management for an Audit of Financial Statements
   - Conforming and Consequential Amendments to Other ISAs Arising from the Quality Management Projects
   - ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)
   - Conforming and Consequential Amendments to Other International Standards Arising from ISA 600 (Revised)

IASCA Issues Its 2023 Annual Report

AMMAN - The International Arab Society of Certified Accountants (IASCA) issued its special annual report for 2023. The report reviews IASCA's activities, accomplishments, and conferences it participated in and organized.

Such activities support IASCA's achievements over the years to strengthen the Arab professional capabilities in accounting across its various branches and disciplines. That is in addition to the efforts exerted by IASCA to expand its services, and keep pace with the most recent trends in accounting to become on top of the international professional organizations.

In a statement, made by Mr. Salem Al-Ouri, IASCA executive director, he emphasized: "The annual report helps us realize the progress we achieve year after year, as it crystallizes our future vision and goals, and sheds light on the steps we take to turn this vision into tangible reality. The report outlines, documents, and details our progress as well as the challenges we managed to overcome."

Mr. Al-Ouri added, "Through the efforts of an efficient and highly disciplined team, IASCA managed to adapt to the radical changes the whole world is going through, and turned negative events into creative ideas, because the team adopted new methods appropriate to address such changes."

HE Dr. Talal Abu-Ghazaleh, chairman and founder of IASCA, in a previous comment, stated:

"IASCA, since its establishment, has achieved various accomplishments with the aim of turning ambitions into reality... Shortly, I would like to say that, thanks to God and the sincere efforts of our team, and because we believe in our professional mission, we will be more determined than ever to achieving our goals that stem from our responsibility towards enhancing the Arab accountancy profession. We continuously aspire to have a generation of trained and qualified Arab accountants equipped with professional capabilities to serve our countries and nations."

IASCA Issues the 2024 Exam Schedule for Professional Certificates

AMMAN - The International Arab Society of Certified Accountants (IASCA) has recently published the schedule for the professional certificates it offers. IASCA issues the following four specialized professional certificates:

IACPA (International Arab Certified Public Accountant).
For more information about this certificate, please click here.

IACMA (International Arab Certified Management Accountant).
For more information about this certificate, please click here.

The IFRS Expert Certificate.

For more information about this certificate, please click here.

The IPSAS Expert Certificate.
For more information about this certificate, please click here.

Through these certificates, IASCA seeks to advance accounting disciplines that help create a generation of accountants with in-depth knowledge of international accounting standards and practices.

ASCA Holds Training Courses in January 2024

AMMAN - The Arab Society for Certified Accountants (ASCA) held various training programs in January 2024, including:

1. Corporate Governance

Participants were introduced to governance and the framework governing the management and control of enterprises. Governance was presented as a mechanism to bolster accountability and transparency, bringing about the following advantages:

- Governance fosters optimal resource utilization, facilitates sustainable growth, and promotes productivity within entities.
- Governance decreases the cost of capital for entities, streamlines control processes and supervision, and attracts external investments.

2. Transfer Pricing (pricing of transactions)

Participants were briefed on the transfer pricing system, its objectives, and the imperative role of auditors in ensuring tax diligence. This involves obligating tax auditors to adhere to fair pricing in transactions, aligning with international practices specified in a legislative framework. Such measures prevent discrepancies and disputes with taxpayers while reinforcing transparency and disclosure of stakeholder transactions, ultimately contributing to tax justice. This initiative also aims to unify

and define the legislative and technical framework for the tax treatment of related party transactions, encompassing both taxpayers and auditors.

3. Financial Statement Analysis

Financial statement analysis involves assessing the financial standing of different entities. The accountant, in executing a set of responsibilities, analyzes gains and losses, tracks management decisions, and plays a role in preparing financial statements.

Participants from diverse regions across the Arab region attended the training courses due to their keen interest in the programs' primary goal, which is to attain an officially recognized certificate in several Arab countries. This certification is crucial in the pursuit of a career in the accounting and auditing professions.

IASCA Holds the IACPA Exam in December 2023

AMMAN - The International Arab Society of Certified Accountants (IASCA) held the International Arab Certified Public Accountant (IACPA) exam in different regions of the Arab world, for the second time in 2023. The first round of the exam was held in June 2023.

The results of the exam were announced and posted on IASCA's official website, as 24% of the participants had successfully passed the exam.

The IACPA exam consists of four sections; economics and finance, accounting, auditing, and legislation. The IACPA aims at building and developing the fundamental knowledge competencies associated with understanding the theoretical and conceptual aspects of the International Financial Reporting Standards (IFRS). That is in addition to developing the professional capacity to apply the international standards in practical accounting professionally, along with assisting the continuous professional development (CPD) related to the standards, and the follow-up of their amendments and updates.

Risks Associated with Using Fair Value Estimates in Accounting while Conducting the Audit Engagement in accordance with IFRS 13 and ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

By Dr. Hossam El-Din Khalil
Mr. Ihab Hossam El-Din Ahmed
IASCA's Members

In the early stages of accounting, it originated from customary rules with the primary goal of presenting financial statements to users without complicating accounting operations. This approach was widely accepted by professional accountants and became a settled practice. Due to the evolving nature of accounting thinking over successive periods and the quest for effective methods of measurement to accurately depict the economic realities of entities in monetary terms, various measurement approaches have emerged. In this exploration, accounting thinking identified the historical cost approach as one of the pivotal inputs in the processes of measurement, recognition, and disclosure.

In the 1960s, the concept of fair value emerged as a response to the debate surrounding the accounting treatment of inflation. It evolved to address the question of how changes in prices should be incorporated into accounting practices. The criticism of the historical cost approach, particularly its inability to provide relevant and objective information reflecting the true position of entities, especially amid significant price fluctuations, played a significant role in leading accountants and accounting bodies to adopt other approaches.

It is worth noting that, to date, there is no unanimous agreement from a theoretical standpoint among professional accountants, professional bodies, and researchers regarding the concept or definition of fair value, or a standardized method to estimate it. This lack of consensus is attributed to the numerous factors influencing the fair value of financial instruments, especially when employing valuation techniques in the absence of an active market. Furthermore, these factors have implications for the characteristics of the required accounting information in decision-making or economic decisions.

As a concept, the International Accounting Standards Board (IASB) defines fair value (IFRS, SOCPA translation, 2023) as:-
It is a measurement that involves assessing values according to prevailing market conditions rather than entity-specific considerations. Some assets and liabilities have observable market transactions and readily available market information, while others may lack such observable transactions and market data. However, the objective of fair value measurement remains consistent in both scenarios. It seeks to determine an estimate of the price at which a transaction, such as normal business transactions, could be conducted under normal circumstances for selling an asset or transferring a liability between market participants on the measurement date. This assessment is made with regard to current market conditions, representing the exit price on the measurement date from the perspective of a market participant holding the asset or assuming the liability.

The preceding definition underscores that fair value represents the consideration at which an asset could be exchanged or a liability settled in an arm's length transaction between willing parties operating on a business basis under balanced or normal conditions, or between two independent parties.

The earlier definition also specified that fair value is the amount for which an asset could be acquired or liability undertaken or settled in a business transaction between willing parties, excluding forced selling or liquidation scenarios.

In summary, fair value is predicated on the following elements:

1. The presence of an active market wherein harmonious elements are traded, and prices are publicly disclosed for all participants (observable market, transactions, and information);
2. Unrelated and informed parties;
3. Normal conditions;
4. Estimation of the appropriate monetary value using various methods, depending on the market's activity, whether it is active or inactive;
5. When there is no active market, fair value is determined by relying on the best information accessible under the given conditions. This involves employing evaluation techniques, including technical approaches, and incorporating the latest market transactions conducted on a commercial basis between willing and informed parties.

IFRS 13, fair value measurement, outlines appropriate valuation techniques that entities must adhere to, taking into account the prevailing circumstances and the availability of sufficient data for fair value measurement. The guidance emphasizes optimizing the use of observable inputs when they are available, and the reliance on unobservable inputs is minimized, particularly in favorable conditions where robust data is accessible.

The valuation techniques of fair value shall be consistently applied. Nevertheless, altering the valuation technique or its application might be warranted if it leads to an equivalent or improved measurement of the fair value under the given circumstances. This may be applicable, for instance, in the following scenarios:-

1. Emergence of new markets;
2. Availability of new information;
3. Information that was previously utilized but not available now;
4. Improvement in the valuation techniques;
5. Changes in the market conditions.

In such instances, auditors need to be cognizant of the accounting implications stemming from the alterations in the valuation technique or its application. This adjustment should be treated as a change in the accounting estimate in accordance with IAS 8. However, it's important to note that disclosures specified in IAS 8 regarding changes in accounting estimates may not apply to changes resulting from modifications in the valuation technique or its application.

IFRS 13 aims to improve the consistency and comparability of fair value measurement as well as the associated disclosures by establishing a hierarchy for fair value. The hierarchy classifies the inputs utilized in valuation techniques into three levels. It assigns the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities, while allocating the lowest priority to unobservable inputs.

An active market refers to a market where transactions involving assets and liabilities occur regularly and with a significant volume of activity. This level of activity ensures a continual flow of information, offering insights into the ongoing prices.

These levels include the following:

1. The first level of inputs: The first level of fair value inputs comprises quoted prices in active markets for identical assets and liabilities, provided that the entity has access to that market on the measurement date. The quoted price in an active market serves as a benchmark, providing more reliable evidence for fair value measurement. In such cases, the price is utilized to measure fair value without requiring adjustments, with only a few exceptions.
2. The second level of inputs: The inputs at the second level differ from those at the first level and can be observed concerning the asset or liability, either directly or indirectly.
3. The third level of inputs: The third level of inputs involves measuring fair value based on unobservable inputs. In this case, the entity utilizes the information at its disposal and, considering the nature of the asset or liability in question, develops a value that it deems to be fair.

Fair Value Measurement:

The objective of fair value measurement is to estimate the prices that would be applicable for selling an asset or transferring a liability between market participants as of the fair value measurement date, considering the prevailing market conditions.

Below are some guidelines included in IFRS 13 for measuring fair value:

1. The entity is required to take into account the attributes of the assets or liabilities it aims to evaluate for fair value. This involves considering the factors that market participants would contemplate in the pricing of assets or liabilities on the measurement date. Such considerations may include the condition and location of the asset or liability, along with any other factors pertinent to the disposal or utilization of the asset;
2. During the fair value measurement process, the assumption is that the valuation is carried out in a routine and customary manner, reflecting the natural market conditions prevailing on the valuation date;
3. The fair value measurement process assumes that the assessment is conducted through the principal market of the asset or an analogous market;
4. When measuring the present value of non-financial assets, careful consideration should be given to both the maximum and best use of the asset;
5. Equity methods are taken into account when determining the present value of both financial and non-financial assets; the transfer of a financial instrument occurs between participants on the measurement date without settlement or any delay in the settlement process.

Fair Value Measurement Techniques:

1. Market approach: Relies on market prices and other relevant information from active markets for identical or similar assets or liabilities.
2. Cost approach: The cost associated with acquiring the service provided by the asset, often referred to as the current replacement cost;
3. Income approach: Relies on discounting the future cash flows and anticipated expenses

associated with the asset. This includes:

- Present value method;
- Options pricing method;
- Annual Profits Surplus Method.

IFRS 13 Requires Making the Following Disclosures:

1. Assets and liabilities that are frequently measured at fair value;
2. Disclosures about the impact of measuring based on unobservable inputs (level 3)
3. And their effect on gains and losses.

Concerning the responsibilities of professional auditors in auditing estimates: as defined by ISA 540, accounting estimates, refer to monetary amounts whose measurement is susceptible to uncertainty.

Various forms of accounting estimates exist, encompassing, but not restricted to, the following:-

1. Accounting estimates related to assets, such as:
    a. Accounting estimates made to account for an actual decrease, such as impairment provisions
    b. Accounting estimates are made to account for certain reductions, such as the provisions for bad debts.
    c. Accounting estimates made to account for potential decreases, as seen in provisions for expected credit losses.
2. Accounting estimates linked to both existing and potential liabilities, including:
    a. Accounting estimates formulated to accommodate existing liabilities, exemplified by provisions for contingent taxes;
    b. Accounting estimates designed to address potential liabilities, such as the provisions for legal proceedings.

In light of the foregoing, accounting estimates represent an amount deducted from current period revenues to provision for anticipated expenses or obligations related to potential losses. Examples of such estimates include:

1. Actual impairment in the value of assets (impairment provision);
2. Actual unspecified losses (bad debts provisions);
3. Actual or potential expenses (provision for end-of-service compensation);
4. uncertain and potential burdens (price decrease provision);

ISA 540 establishes standards and offers guidance for auditing accounting estimates presented in financial statements.

Auditors are required to obtain sufficient and suitable evidence about accounting estimates. Management holds the responsibility for formulating accounting estimates within the financial statements, a task often carried out amidst uncertainties regarding the outcomes of events, demanding diligent efforts. Therefore, the likelihood of material misstatements is elevated when dealing with accounting estimates.

Moreover, intricate accounting estimates, particularly in this context, demand a heightened level of expertise and specialized efforts in the market to accurately calculate fair value. Uncertainty or the absence of objective information may render it challenging to arrive at reasonable estimates. Consequently, auditors must employ appropriate audit procedures to gather adequate and relevant evidence, ensuring that the accounting estimate aligns with the circumstances and that items in the financial statements are appropriately adjusted according to accounting principles.

The steps that auditors take to scrutinize the procedures established by the management encompass, for instance:

I. IThe auditor, in evaluating the information and assumptions relied upon by the management to prepare the information, performs the following:

1. Verifies the accuracy and completeness of the information, assessing its appropriateness for formulating the estimates;
2. Gathers corroborative evidence from external sources, such as obtaining industry data, particularly when the estimate for impaired or slow-moving inventory relies on expected sales;
3. Verifies the accuracy of the information analysis, ensuring, for instance, that the analysis of debt maturities is conducted

accurately.

4. Verifies the foundation upon which the management relies, which may include government and industry statistics, interest rates, employment figures, inflation rates, and other relevant factors.
5. Verifies the alignment between the assumptions utilized and those applied to other pertinent estimates;
6. Pays special attention to assumptions pertinent to accounting estimates that are sensitive to changes;
7. Leverages external experts, if deemed necessary;
8. Ensures the ongoing appropriateness of accounting estimates for both the current and future financial periods.

II. Verifies that the calculation process adheres to the specified assumptions.

III. Verifies the precision of estimates from prior periods against the actual outcomes; this provides evidence regarding the accuracy of the management's overall estimates. It also aids in identifying whether adjustments are needed for prior assumptions and estimates.

IV. Verifies the procedures established by the management to monitor the preparation of estimates.

References

1. The International Financial Reporting Standards (IFRS) - translated by SOCPA
2. The International Auditing and Assurance Standards - translated by SOCPA
3. The International Valuation Standards - Saudi Authority for Accredited Valuers, 2022
4. An Eye on Solutions to Financial Reporting Standards Questions - Dr. Hossam El Din et al., 2022. Daralkhalij for Publishing and Distribution.

IAASB Opens Public Consultation on Narrow Scope Amendments to Meet Expectations for Public Interest Audits

NEW YORK - The International Auditing and Assurance Standards Board (IAASB) launched a consultation process on proposed narrow-scope amendments to achieve greater convergence with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (Including Independence Standards). These proposed revisions have two key objectives. First, they would align definitions and requirements in IAASB standards with new definitions for publicly traded and public interest entities in the IESBA Code. Second, the amendments would extend the applicability of existing differential requirements for listed entities to meet heightened stakeholder expectations regarding audits of public interest entities (PIE).

Key proposed revisions include extending the scope of the entities included under the International Standards on Quality Management and the International Standards on Auditing such that they will be subject to:-

IAASB International Auditing and Assurance Standards Board®

- Engagement quality reviews;
- Providing transparency in the auditor's report on specific aspects of the audit, including auditor independence, communicating key audit matters, and the engagement partner's name; and
- Communicating with those charged with governance to help them fulfill their responsibility overseeing the financial reporting process, (e.g., communicating about quality management and auditor independence).

How to Comment

The IAASB invites all stakeholders to provide feedback on the Exposure Draft using the **digital Response Template,** which is available on the IAASB website. Feedback is requested by April 8, 2024.

Source: www.ifac.org

New and Updated Resources to Help Companies Apply IFRS S1 and IFRS S2 from 2024

NEW YORK - Ahead of the ISSB Standards—IFRS S1 and IFRS S2-coming into effect in January 2024, the International Sustainability Standards Board (ISSB) is providing new and updated resources to help companies apply the Standards.

This includes enhancements to the SASB Standards, and the publication of educational material to help companies apply the climate standard, IFRS S2. This work is part of ongoing work to support the implementation of the Standards. The ISSB is also focused on advancing work to develop the IFRS Sustainability Disclosure Taxonomy to enable the digital consumption of information when the ISSB Standards are applied.

Enhanced SASB Standards

At its **December board meeting** that took place in Frankfurt, following public consultation and deliberations on feedback from the marketplace, the ISSB agreed on updates to the SASB Standards.

These targeted updates enhance the **international applicability of the SASB Standards,** which are an important source of guidance for companies applying IFRS S1.

The updates remove and replace jurisdiction-specific references and definitions without significantly altering industries, topics or metrics. The ISSB agreed to these updates following a consultation earlier this year on the methodology that has been used.

IFRS S1 requires companies to disclose material information on all sustainability-related risks and opportunities that could reasonably be expected to affect their prospects. IFRS S2 sets out the requirements for climate-related disclosures. For risks and opportunities beyond climate, IFRS S1 directs companies to sources of guidance and requires companies to refer to and consider the industry-based SASB Standards.

New educational material for IFRS S2

As part of efforts to support the application of IFRS S1 and IFRS S2, the IFRS Foundation published **new educational material** to help companies consider the 'nature and social aspects' of climate-related risks and opportunities when applying IFRS S2.

The material sets out three examples that help illustrate how companies might approach these aspects of their climate-related disclosures. The material has been developed to help companies apply the ISSB Standards; it does not affect any of the requirements within the Standards.

The publication follows the launch of the **IFRS Sustainability knowledge** hub at COP28, a core component of the IFRS Foundation's focus on capacity-building initiatives.

Digital taxonomy

The ISSB published a **proposed digital taxonomy for public consultation,** which ended on September 26, 2023. During the Board meeting, the ISSB discussed the planned steps for the taxonomy, which is intended to be published in the first half of 2024.

Looking ahead

The ISSB continues to discuss feedback on its consultation on future priorities with a view to finalizing its two-year work plan in the first half of 2024. Included in these discussions is consideration of how the SASB Standards can be enhanced and built upon.

The ISSB also remains focused on supporting and driving the adoption of the ISSB Standards throughout 2024. As part of this work, the ISSB continues to prioritize discussions about interoperability, including jurisdictional and voluntary initiatives focused on stakeholders beyond investors and will continue to coordinate its work with its sister board the International Accounting Standards Board (IASB). The first joint technical meeting of the ISSB and IASB. The boards will discuss the feedback received in response to the ISSB's agenda consultation about a potential project for further integration in reporting.

The **IFRS Sustainability Symposium** will also take place in New York City on February 22, 2024, which provides an opportunity for stakeholders to learn more about the ISSB Standards and the ISSB's work.

Source: www.ifac.org

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1255U

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7022

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New

Spreadtrum SC7731E Quad-core

2 GB

32 GB

TAG-TAB KIDS II

MediaTek MTK 8788 octa-core

8 GB

128 GB

TAG-TAB III

Front: 16 MP
Rear: 20 MP

6 GB

128 GB

TAG-PHONE Special

Spreadtrum SC9863 Octa-core

4 GB

64 GB

TAG-DC

Front: 8 MP
Rear: 16 MP

4 GB

128 GB

TAG-PHONE Plus

Front: 16 MP
Rear: 16 MP

6 GB

128 GB

TAG-PHONE Advanced

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