

Point of view

Looking forward, sharing insights



Welcome to the first issue of Point of view

This newsletter is a collaborative effort among the members of the Deloitte Southeast Asia (SEA) Assurance & Advisory Services Group, putting together recent updates on financial reporting developments both internationally and locally, and featuring topical matters that would be of interest to our clients and our professionals. Many of our clients have asked for more information about the implications from recent pronouncements, industry-specific accounting issues, and differences between International Financial Reporting Standards (IFRSs) and local generally accepted accounting principles (GAAP). This newsletter is directed towards meeting these requests.

To meet the increasing needs for cross-border financial reporting, many countries have adopted the IFRSs in full or in various stages as the GAAP for their local jurisdiction. As more countries participate in this convergence effort and play a role in shaping the IFRSs, we expect to see more changes to the IFRSs over time. Accountants and auditors, being the financial reporting gatekeepers, are often faced with the challenges of keeping pace with the changes, applying complex principle-based standards, and reconciling GAAP differences.

In this first issue, we set the scene with an overview of the financial reporting framework of the jurisdictions where our SEA member firms operate and their stage of IFRS adoption. Besides the news in brief on IFRS and local standard-setting activities, we have asked Alan Nisbet, Head of Assurance & Advisory, Deloitte Southeast Asia to give his thoughts on how the key changes in IFRS will affect financial reporting for 2009.

We hope this newsletter will help keep you informed and interested in the latest happenings within the financial reporting world. You are most welcome to provide feedback on how we can improve the newsletter, or contact my colleagues listed on page 14 should you need to discuss any financial reporting matters.

Chaly Mah

Chief Executive Officer
Deloitte Asia Pacific, Southeast Asia

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Overview of financial reporting framework and IFRS adoption

The International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) are continuing to gain wider acceptance by standard-setters around the world. IFRSs comprise the International Financial Reporting Standards (IFRSs), the International Accounting Standards (IASs) and the Interpretations developed by the International Financial Reporting Interpretation Committee (IFRICs) or the former Standing Interpretation Committee (SICs). In the jurisdictions where our SEA member firms operate, we see IFRSs being adopted as the national standards in varying degrees. Below is an overview of the financial reporting framework of the respective jurisdiction, and where they are in terms of alignment with the IFRSs.

Guam

Companies in Guam follow the US GAAP issued by the Financial Accounting Standards Board (FASB) as the primary source of authoritative literature for financial reporting. As of now, there are still various differences between IFRS and US GAAP, although convergence efforts are underway in various areas to bring about more similarities between these two frameworks.

[Click here](#) to access a comparison of US GAAP versus IFRS posted on Deloitte IAS Plus website.

Indonesia

The standard-setting body in Indonesia is the Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan or DSAK) under the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia or IAI). Under Indonesian law, both public and private companies must comply with those accounting standards issued by the DSAK-IAI, which is the accounting profession recognised by the government. Up to 31 December 2008, DSAK-IAI has issued 62 Statements of Financial Accounting Standards (Pernyataan Standar Akuntansi Keuangan or PSAKs) which consist of 55 PSAKs for conventional transactions and 7 PSAKs for Syari'a transactions, 8 Interpretations of Financial Accounting Standards (Interpretasi Standar Akuntansi Keuangan or ISAK), and 3 Technical Bulletins.

On 23 December 2008, the IAI issued a formal statement announcing its plan to have Indonesian GAAP fully converged with the IFRSs by 1 January 2012.

[Click here](#) to access a comparison of PSAKs versus IFRSs available on Deloitte IAS Plus website.

Malaysia

Companies registered in Malaysia are required to prepare statutory financial statements in accordance with the approved accounting standards issued by the Malaysian Accounting Standards Board (MASB). Foreign companies listed on a stock exchange in Malaysia may prepare financial statements in accordance with certain internationally recognised accounting standards such as the IFRSs.

MASB has two sets of approved accounting standards, namely:

- MASB Approved Accounting Standards for Entities Other than Private Entities - Financial Reporting Standards (FRSs); and
- MASB Approved Accounting Standards for Private Entities - Private Entity Reporting Standards (PERSs).

On 1 August 2008, the Financial Reporting Foundation, which oversees the operations of MASB, and MASB issued a statement on their plan for full convergence of the FRSs with IFRSs as issued by IASB by 1 January 2012. The staff of MASB has issued a proposed calendar which provides a tentative adoption timeline of IFRSs issued by IASB as at 19 June 2009. Private entities that apply PERSs will continue to do so until such time the MASB decides otherwise.

[Click here](#) for the proposed calendar for adoption of IFRSs and [click here](#) for comparison of FRSs and IFRSs issued by IASB, both as prepared by MASB staff.

Philippines

In response to the complexity and changing global business landscape and stricter regulations, the Philippines Financial Reporting Standards Council (FRSC) has moved towards full adoption of IFRSs since 2005. This development is supported by Philippine Regulatory bodies such as the Professional Regulations Commission (PRC) and the Securities and Exchange Commission (SEC), which require the application of the international standards in the preparation of financial statements by Philippine companies.

The Philippine equivalents to IFRSs are known as Philippine Financial Reporting Standards (PFRSs) and Philippine Accounting Standards (PASs). The FRSC also formed the Philippine Interpretations Committee (PIC) which issues implementation guidance on PFRSs. To date, the FRSC has issued the Philippines equivalents to most of the new/revised IFRSs that are effective through 2009.

Singapore

The Singapore Financial Reporting Standards (FRSs) are the prescribed accounting standards under the Singapore Companies Act. The FRSs are issued by the Accounting Standards Council (ASC), which is established by the Ministry of Finance. Foreign companies listed on Singapore stock exchange may prepare financial statements in accordance with certain internationally recognised accounting standards such as the IFRSs. The FRSs are closely modeled after the IFRSs, with certain modifications to effective dates and transitional provisions, the measurement requirements on properties revalued prior to a certain dates, and the exemption criteria for consolidation, equity accounting or proportionate consolidation.

To date, the ASC has adopted most of the recent revisions to IFRSs effective through 2009, except for IFRIC 15 Agreements for the Construction of Real Estate.

In May 2009, the ASC has decided to fully converge the FRSs with IFRSs by 2012 for all Singapore-incorporated companies listed on the Singapore Stock Exchange.

[Click here](#) to access a comparison of Singapore FRSs versus IFRSs available on Deloitte IAS Plus website.

Thailand

The generally accepted accounting principles in Thailand (Thai GAAP) are based on the IASs and IFRSs. Only some Thai Accounting Standards (TASs) such as accounting for troubled debt restructurings, accounting for investment companies, doubtful debt and bad debt, and revenue recognition for real estate business are derived from relevant US GAAP.

The Federation of Accounting Professions (FAP) plans to fully adopt IFRSs as the Thai GAAP for the fifty actively trading listed companies in the Stock Exchange of Thailand (SET 50) in 2011. Thereafter, full adoption of IFRSs by SET 100 are planned for 2013. The rest of the listed companies and the companies listed in the Market Alternative Investment (MAI) have to fully adopt IFRSs in 2015. The IASs and IFRSs that will be fully applied to all listed companies as mentioned are those published in the first bound volume 2009 (IFRS 2008). For the non-listed companies, FAP plans to issue TASs and TFRSs that are equivalent to the IASs and IFRSs version 2006 (IFRS 2006) to be applied in 2011. However, the FAP may issue its notification to provide exemption for some TASs and TFRSs that are too difficult to be applied by the non-public companies.

[Click here](#) to access a comparison of Thailand GAAP versus IFRSs available on Deloitte IAS Plus website.

Vietnam

All domestic companies, listed and unlisted, are currently required to use the Vietnamese Accounting Standards (VASs), which have been developed by the Ministry of Finance. Generally, the VASs were based on IASs that were issued up through 2003, though some modifications were made to reflect local accounting regulations and environment. None of the IASB's amendments to IASs nor new IFRSs have been adopted.



Implementing new/revised IFRSs effective in 2009



Alan Nisbet
Head of Assurance
& Advisory
Deloitte Southeast Asia

IAS 1 Presentation of Financial Statements (Revised) and IFRS 8 Operating Segments are both effective for annual periods beginning on or after 1 January 2009. These new/revised standards will have widespread effects on the financial reporting for corporate entities in 2009. While IFRS 8 is only applicable for listed entities, IAS 1 Revised will be applicable to all types of reporting entities.

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements have also undergone some significant changes, and those new requirements are generally applicable for financial years beginning on or after 1 July 2009.

For countries in Southeast Asia that have been adopting IFRS, these new/revised IFRSs are expected to become equivalent local financial reporting standards in due course.

Alan Nisbet, Head of Assurance & Advisory, Deloitte Southeast Asia, gives his thoughts on some frequently-asked questions about the impact to reporting entities when the changes are implemented.

Q: How would IAS 1 affect the presentation of financial statements in 2009?

The main change is the introduction of a statement of comprehensive income. This can be presented in one statement comprising the usual income statement, followed by the inclusion of items of other comprehensive income (OCI) in the same statement. Alternatively, the income statement can be presented separately as one statement. The net profit figure, together with items of OCI will be presented in *another statement of comprehensive income*.

There are also changes in the terminology used to describe the primary financial statement components, for example, *balance sheet* is now known as *statement of financial position* and *cash flow statement* is now known as *statement of cash flows*. Such changes are not mandatory, but entities are encouraged to follow the new description for consistency with the references made within the IFRS.

Some additional disclosures are also required for the tax effects on OCI items under the revised IAS 1. Furthermore, where there is a retrospective adjustment or reclassification made to prior year's financial statements, the opening statement of financial position for the earliest period presented is required to be shown. This means that there will be 3 statements of financial position presented.

On the whole, the implementation of revised IAS 1 is not expected to be difficult as the changes are limited to the re-formatting of the financial information that was previously presented in another manner. Some market observers have commented that the *statement of comprehensive income* appears to report two "bottom-lines" which could be confusing to readers. On the other hand, earnings per share presented by listed entities are calculated based on the profit or loss figure and not the total comprehensive income for the period. However, there are merits in drawing attention to all gains and losses of an entity (whether in profit or loss or OCI) to one statement, as this gives a more complete picture of the performance of the entity.

Q: Is IFRS 8 mainly a presentation and disclosure standard, and therefore does not affect recognition and measurement policies?

Although IFRS 8 is, to a large extent, a presentation and disclosure standard, its initial adoption may have an effect on the unit of accounting for goodwill impairment. IAS 36 requires that the cash-generating unit (CGU) or group of CGUs to which goodwill is allocated for impairment testing to be no larger than an *operating segment* determined in accordance with IFRS 8. The recent IFRS Annual Improvement Project in April 2009 clarified that the *operating segment* referred here is the level determined before any aggregation for similar economic characteristics permitted by IFRS 8. As IFRS 8 re-defines the level of aggregation for reporting segment information, it could indirectly affect the definition of cash-generating units (CGU) or group of CGUs to which goodwill can be allocated for impairment testing purpose. It is possible that entities have previously allocated goodwill to a CGU (or a group of CGUs) that was larger than an *operating segment* as determined based on IFRS 8. In the event that an additional impairment loss is necessary upon the initial adoption of IFRS 8, it would be appropriate to account for this effect retrospectively.

Q: Do you expect to see many entities changing their reportable segments as a result of implementing IFRS 8?

It is possible that many entities would conclude that there is no change to their current basis of reportable segments as presented under IAS 14. However, IFRS 8 is noted to have more stringent criteria for aggregating operating segments into reportable segments. Therefore, we would expect to see more reportable segments based on IFRS 8, as compared to the old IAS 14.

Q: What are the key changes arising from the revised IFRS 3 and IAS 27?

Acquisition-related costs to be expensed

The most significant change would be the requirement



to expense off acquisition-related costs such as finder's fees and professional fees, which previously qualify for capitalisation as part of purchase consideration for goodwill determination. However, in the stand-alone financial statements of the acquirer, it is possible to apply the concept in IAS 39 to include directly attributable transaction costs in the initial measurement of the investment, whether the entity chooses to use cost or IAS 39 method (other than at fair value through profit or loss) under IAS 27.

Choice given in measuring non-controlling interest (NCI)

When applying acquisition accounting, there is a choice given to the acquirer to measure non-controlling interest (previously known as minority interest), at fair value or at the NCI's proportionate share of the fair values of acquiree's net identifiable assets. The choice can be made on a transaction-by-transaction basis. The difference in basis will affect the goodwill amount determined, and also the related impairment calculations.

Contingent consideration and deferred tax assets

Subsequent changes in estimates on contingent consideration after the initial measurement period, will now be accounted for in accordance with other relevant IFRSs, and would typically be dealt through profit or loss. Previously, such changes were adjusted to goodwill indefinitely.

Likewise, deferred tax assets that are recognised or re-measured after the initial measurement period, will always be adjusted through profit or loss, or outside profit or loss if otherwise required by IAS 12.

Changes in ownership interest without losing control

The revised IAS 27 now makes clear that any ownership change (both acquisition and disposal) after control is achieved shall be treated as an equity transaction between the parent and the non-controlling interests. Accordingly, no additional goodwill will arise, carrying amounts of net assets are not re-measured, and no gain or loss is recognised for reduction in interest. Previously, accounting practices for such transactions varied.

Pre-existing arrangements

The revised IFRS 3 provides specific guidance on how an acquirer accounts for the settlement of pre-existing arrangements with the acquiree. Pre-existing relationships could be contractual (e.g., supply agreements) or non-contractual (e.g. lawsuits). Upon settlement of such relationships in a business combination, they will be measured by the acquirer according to requirements of the revised IFRS 3, with effects taken to profit or loss. If

the acquirer re-acquires a right previously granted to the acquiree (e.g. right to use a brand name or technology of the acquirer), the acquirer is required to recognise this re-acquired rights as an intangible asset separate from goodwill.

Acquirers may also issue its share-based payment awards to replace the existing share-based payment arrangements of the acquiree. The revised IFRS 3 provides specific calculation methods to allocate the replacement awards between the element which represents purchase consideration for pre-combination accrued rights and the element which represents post-combination expense.

Q: It appears that the changes to IFRS 3 and IAS 27 do not apply to associates under IAS 28. Should similar principles be applied to the accounting for acquisition and disposal of associates?

IAS 28 does indicate that, on acquisition of an associate, the acquirer is required to determine its share of fair values of net identifiable assets of the associate acquired, in a manner similar to IFRS 3. However, it is not clear if any ownership change without losing significant influence (e.g. reducing interest from 40% to 30%) should be dealt with in profit or loss, or equity. Given that IAS 28 allows the proportionate amount of the gain or loss in reserves related to the disposed portion of an associate to be transferred to profit or loss, it follows that it is possible for any other gain or loss arising from the reduction in interest to be accounted for through profit or loss.

Q: Are there any other matters in general which reporting entities should be mindful of for the 2009 financial reporting period?

Some of the amendments of the Annual Improvement Projects, although minor, may have an effect on certain entities, for example, the inclusion of uncompleted investment properties within the scope of IAS 40 may require such properties to be re-measured to fair value on initial adoption of the change.

Entities and their auditors should constantly be in touch to discuss the implications of the changes early. For complex areas which require determination of fair values using valuation models, as in the case of business combination accounting, there should be involvement of appropriate specialists. On a final note, given the level of activities by the IASB, you would expect more changes to IFRS being issued in the near future, in particular the IAS 39 replacement project, so be prepared and keep yourself in the loop of the imminent changes.

News in brief on IFRS activities

This section provides a snap shot of news in brief on IFRS activities during 1 April 2009 to 15 August 2009:

16 April 2009 – IASB amends 12 IFRSs

This is the second annual improvement project and will affect 12 IFRSs. Most of the amendments are effective for annual periods beginning on or after 1 January 2010, with early adoption allowed. Most of the improvements deal with matters of detail and are not expected to have significant impact. There are, however, certain amendments that could result in significant changes in relevant circumstances. These amendments include, among others, reassessing the classification of long-term leases of land, and the current/non-current classification of liabilities that may be settled by the issue of equity instruments. There are also additional guidance for determining if revenue should be recognised gross or net, and clarification on the unit of accounting for goodwill test with reference to the application of IFRS 8 Operating Segments.

[Click here](#) to access IAS Plus newsletter discussing this improvement project.

28 May 2009 – IASB publishes exposure draft on fair value measurement

The IASB has published an exposure draft (ED) of proposed guidance on how fair value should be measured where it is required by existing standards. The ED does not propose to extend the use of fair value measurements in any way. It would add disclosure requirements about how fair values were determined. If adopted, the proposals would replace fair value measurement guidance contained within individual IFRSs with a single, unified definition of fair value, as well as further authoritative guidance on the application of fair value measurement in inactive markets. The IASB's starting point in developing the exposure draft was the equivalent US standard, SFAS 157 Fair Value Measurements as amended. The proposed definition of fair value (FV) is identical to the definition in SFAS 157 and the supporting guidance is also largely consistent with US GAAP.

[Click here](#) to access IAS Plus newsletter discussing this exposure draft.

28 May 2009 – IASB proposes to amend IFRIC 14

The IASB has published an exposure draft of proposed amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The proposed amendments are aimed at correcting an unintended consequence of IFRIC 14. As a result of the interpretation, entities are in some circumstances not permitted to recognise as an asset some prepayments for minimum funding contributions. The ED proposes to correct the problem.

[Click here](#) to access IAS Plus newsletter discussing this proposed amendment.

18 June 2009 – IASB issues discussion paper on “own credit risk”

The IASB has published a discussion paper on the role of an entity's own credit risk in liability measurement. The discussion paper is accompanied by a staff paper that describes the most common arguments for and against including credit risk in measuring liabilities. The paper notes that IFRSs require profit or loss resulting from changes in 'own credit' to be booked when debt is fair valued, but that some see the outcome as counter-intuitive (gains recognised in the face of deteriorating credit). The discussion paper addresses this concern and examines bases for liability measurement other than fair value. The issue of 'own credit risk' has relevance to a range of IASB projects, in particular in the accounting for financial instruments, insurance, fair value measurement, and provisions, contingent liabilities and contingent assets.

[Click here](#) to access IAS Plus newsletter regarding this discussion paper.

19 June 2009 – IASB amends IFRS 2, withdraws IFRIC 8 and IFRIC 11

The IASB amended IFRS 2 Share-based Payment to clarify the accounting for group cash-settled share-based payment transactions. The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for annual periods beginning on or after 1 January 2010 and must be applied retrospectively. Earlier application is permitted.

[Click here](#) to access IAS Plus newsletter discussing this amendment.

23 June 2009 – IASB proposes guidance on “management commentary”

The IASB has issued an exposure draft of proposed non-mandatory guidance for preparing and presenting a ‘management commentary’ – sometimes called ‘management’s discussion and analysis’ or ‘operating and financial review’. In a management commentary, which normally accompanies but is not part of the financial statements, management explains how the entity’s financial position, financial performance and cash flows relate to management’s objectives and its strategies for achieving those objectives. The proposals in the ED draw on international best practice in the preparation and presentation of management commentary. The IASB believes that providing non-mandatory guidance will improve the consistency and the comparability of management commentary across jurisdictions.

[Click here](#) to access IAS Plus Newsletter on this proposed guidance.

25 June 2009 – IASB invites comments on the “expected loss model”

The IASB has published a Request for Information on the feasibility of using an expected loss model for the impairment of financial assets. Impairment is one of the issues that the IASB is addressing in the second phase of its Comprehensive Review of IAS 39. The current model in IAS 39 requires an entity to account for credit losses in financial assets only if an event (or a combination of events) has occurred that has a negative effect on future cash flows and that effect can be reliably estimated (this is known as the incurred loss model). A feature of that model is that an entity is not permitted to consider the effects of future expected losses. The financial crisis has highlighted this as an area of concern. At the request of the G20 leaders and others, the IASB is examining the “expected loss model” as an alternative. The expected loss model requires an entity to make an ongoing assessment of expected credit losses, which may require earlier recognition of credit losses. Proponents argue that this would better reflect the way that financial assets are priced and the way some companies manage their business.



9 July 2009 – IASB issues IFRS for SMEs

The IASB has issued the IFRS for SMEs. This is the first set of international accounting requirements developed specifically for small and medium-sized entities (SMEs). It has been prepared on IFRS foundations but is a stand-alone product that is separate from the full set of International Financial Reporting Standards (IFRSs). The IFRS for SMEs has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations. Compared with full IFRSs, it is less complex in a number of ways, such as omitting topics that are not relevant to SMEs, allowing only the easier option where this is a choice, simplifying recognition and measurement principles, and requiring significantly less disclosures. It is suitable for all entities except those whose securities are publicly traded and financial institutions such as banks and insurance companies. It is up to each jurisdiction to determine which entities should use the standard. It is effective immediately on issue.

[Click here](#) for the IAS Plus Newsletter on this pronouncement.

9 July 2009 – IASB issues ED on financial instruments classification and measurement

This ED is the first part of IASB's three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. The Board decided to address classification and measurement of financial assets and financial liabilities first because they form the foundation of a standard on reporting financial instruments. Moreover, many of the concerns about IAS 39 that have been expressed during the financial crisis relate to its classification and measurement requirements. The IASB plans to finalise the classification and measurement proposals in time for non-mandatory application in 2009 year-end financial statements. The other two phases of the IAS 39 project are addressing Impairment and Provisioning and Hedge Accounting. Additionally, the Board's project on Derecognition of Financial Instrument will also result in amendments to IAS 39. The IASB plans to complete the replacement of IAS 39 during 2010, although mandatory application will not be before January 2012.

Some key features of this ED on Classification and Measurement include: requiring instruments with basic loan features and which are managed on contractual yield basis, to be measured using amortised cost and subject to impairment test; the elimination of the categories of "held-to-maturity" and "available for sale"; and allowing an irrevocable election to measure certain equity investments at fair value through other comprehensive income (OCI), with any related dividend income also included in OCI.

[Click here](#) to access the IAS Plus Newsletter on this ED.

23 July 2009 – IASB issues ED on rate-regulated activities

The IASB has invited comment on proposals on the accounting for rate-regulated activities. The objective of the proposals is to establish whether and how assets and liabilities resulting from rate-regulated activities should be recognised and measured under IFRS. If adopted, the proposed IFRS would define regulatory assets and regulatory liabilities, set out criteria for their recognition, specify how they should be measured, and require disclosures about their financial effects. The IASB was asked for guidance on the issue from many jurisdictions. Clarifying the accounting for rate regulation is of particular importance for jurisdictions that are in the process of adopting IFRSs and where accounting for the effect of rate regulation is in place for some sectors. In those cases entities are currently recognising sometimes significant 'regulatory' assets and liabilities by reference to an existing US standard, in the absence of an IFRS.

[Click here](#) to access IAS Plus Newsletter discussing this ED.



24 July 2009 – IASB amends IFRS 1 on First-time Adoption for two situations

The IASB has amended IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendments address the retrospective application of IFRSs in two particular first-time adoption situations. Firstly, the amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets. Entities electing this exemption will use the carrying amount under its old GAAP as the deemed cost of its oil and gas assets at the date of first-time adoption of IFRSs. Secondly, if a first-time adopter with a leasing contract made the same type of determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by IFRIC 4 Determining whether an Arrangement Contains a Lease, but at a date other than that required by IFRIC 4, the amendments exempt the entity from having to apply IFRIC 4 when it adopts IFRSs. The amendments are effective for annual periods beginning 1 January 2010, with earlier application allowed.

7 August 2009 – IASB issues ED on classification of rights issues

The IASB has invited comment on an ED of an amendment to IAS 32 Financial Instruments: Presentation on the classification of rights issues. The proposals seek to clarify the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. Current practice appears to require such issues to be accounted for as derivative liabilities. The proposals state that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

7 August 2009 – IFRIC issues proposal on debt extinguishments

The International Financial Reporting Interpretations Committee (IFRIC) has published a draft Interpretation, IFRIC D25 Extinguishing Financial Liabilities with Equity Instruments. The proposal addresses the appropriate accounting under IFRSs when a creditor agrees to accept an entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC D25 proposes that an entity's equity instruments are part of any 'consideration paid' to extinguish a financial liability. The equity instruments should be measured at either their fair value or the fair value of the financial liability extinguished, whichever is more reliably determinable. Any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of those equity instruments should be included in the entity's profit or loss for the period.

13 August 2009 – Extractive activities – draft discussion paper

This draft discussion paper was prepared by a project team comprising staff of the national accounting standard-setters in Australia, Canada, Norway, and South Africa. The paper addresses financial reporting issues associated with exploring for and finding minerals, oil, and natural gas deposits, developing those deposits, and extracting the minerals, oil, and natural gas. The paper notes that an absence of comprehensive IFRS literature on the subject has contributed to a divergence in practice under IFRSs. The paper reviews the issues and presents the recommendations of the project team. It is posted for information only – comments are not requested. The IASB plans to invite comments on the project team's proposals in the first quarter of 2010. Key proposals in the working draft include proposals regarding asset recognition based on legal rights, historical cost asset measurement and the definition of the geographical boundary for unit of account according to exploration rights held and which is managed separately and would be expected to generate largely independent cash flows.

[Click here](#) for the Project Page of the IASB's website where the draft can be downloaded.

Country updates

This section provides an update of the key financial reporting pronouncements issued in each country during 1 April 2009 to 15 August 2009:

Guam

Recent changes in US GAAP that will be relevant for companies in Guam include:

Effective 1 July 2009, the FASB Accounting Standards Codification (the "Codification") became the primary source of authoritative generally accepted accounting principles in the United States (US GAAP) - The previous US GAAP hierarchy consisted of four levels of authoritative accounting and reporting guidance (levels A-D) including original pronouncements of the FASB, EITF abstracts and other accounting literature. The Codification eliminates this hierarchy and replaces it with just two levels of literature, authoritative and non-authoritative.

The Codification will significantly change the way users refer to US GAAP and research accounting issues. For example, under the previous US GAAP hierarchy, someone researching the accounting for a nonmonetary transaction would look for guidance in APB Opinion no. 29, Accounting for Nonmonetary Transactions; EITF Issue no. 04-13, Accounting for Purchases and Sales of Inventory with the Same Counterparty; or EITF Issue 93-11, Accounting for Barter Transactions Involving Barter Credits. Under the Codification, topic 845 (ASC 845, Nonmonetary Transactions) will contain all of the authoritative guidance on accounting for nonmonetary transactions.

The transition to the Codification may present challenges for users who have become familiar with references to sections in existing standards or who need to update references to pre-Codification US GAAP in reports or documents. However, preparers and users should ultimately benefit from the research efficiencies and simplification the Codification offers.

[Click here](#) to access Deloitte's Newsletters on recent changes to the US GAAP.

Indonesia

The Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan or DSAK) issued the following pronouncements during 1 April 2009 to 15 August 2009:

Issue date	Exposure draft	Comments due date
21 April 2009	ED PSAK 1, Presentation of Financial Statements	30 September 2009
Issue date	Technical bulletin	Effective date
24 July 2009	Technical Bulletin No. 4, Transitional Provisions on PSAK 50 (Revised 2006) and PSAK 55 (Revised 2006)	For financial statements covering the periods beginning on or after 1 January 2010.

ED PSAK 1 (Revised 2009) is adopted from IAS 1 (2009), Presentation of Financial Statements.

Malaysia

The Malaysian Accounting Standards Board (MASB) issued the following pronouncements during 1 April 2009 to 15 August 2009:

Issue date	New/revised standard and interpretation	Effective date
19 May 2009	FRS 123 Borrowing Costs	Annual periods beginning on or after 1 January 2010
19 May 2009	Amendments to FRS 2 Share-based payment: Vesting conditions and cancellations	Annual periods beginning on or after 1 January 2010
19 May 2009	Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Annual periods beginning on or after 1 January 2010
19 May 2009	IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions	Annual periods beginning on or after 1 January 2010
19 May 2009	IC Interpretation 13 Customer Loyalty Programmes	Annual periods beginning on or after 1 January 2010
19 May 2009	IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2010
Issue date	Exposure draft	Comments due date
15 June 2009	Business Combinations	17 July 2009
15 June 2009	Consolidated and Separate Financial Statements	17 July 2009
15 June 2009	First-time Adoption of Financial Reporting Standards	17 July 2009
15 June 2009	Draft IC Interpretation 15 Agreements for the Construction of Real Estate	17 July 2009
15 June 2009	Draft IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	17 July 2009
15 June 2009	Draft IC Interpretation 17 Distribution of Non-cash Assets to Owners	17 July 2009

The above pronouncements are almost identical to those issued by the IASB and IFRIC.



Philippines

The Financial Reporting Standards Council (FRSC) issued the following pronouncements during 1 April 2009 to 15 August 2009:

Issue date	New/revised standard and interpretation	Effective date
20 April 2009	Amendments that Clarify the Accounting for Embedded Derivatives when Reclassifying financial Instruments	Retrospectively and are required to be applied for annual periods ending on or after 30 June 2009
20 April 2009	PIC Q&A on Rate for Fair Value of Government Securities Approved (Q&A)	20 April 2009

Issue date	Exposure draft	Comments due date
20 April 2009	Issues for Comment Proposed Improvements to De-recognition Requirements	15 July 2009
20 April 2009	Issues for Comment Proposed New Standard on Income Tax	15 July 2009

Other than the Q&A issued, the above pronouncements are similar to those issued by the IASB and IFRIC.

Singapore

The Accounting Standard Council (ASC) issued the following pronouncements during 1 April 2009 to 15 August 2009:

Issue date	New/revised standard and interpretation	Effective date
9 April 2009	Amendments to FRS 107 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments	Annual periods beginning on or after 1 January 2009
9 April 2009	INT FRS 118 Transfer of Assets from Customers	Prospectively to transfers of assets from customers received on or after 1 July 2009
24 April 2009	INT FRS 109 and FRS 39 - Embedded Derivatives	Annual periods ending on or after 30 June 2009
22 June 2009	Improvements to FRSs 2009	Annual periods beginning on or after January 2010, or as otherwise stated

Issue date	New/revised standard and interpretation	Effective date
22 June 2009	Revised IFRS 3 Business Combinations	Annual periods beginning on or after 1 July 2009, or as otherwise stated
22 June 2009	Revised FRS 27 Consolidated and Separate Financial Statements	Annual periods beginning on or after 1 July 2009, or as otherwise stated
22 June 2009	Revised version of FRS 101 - First-Time Adoption of Financial Reporting Standards	Annual periods beginning on or after 1 July 2009, or as otherwise stated

Issue date	Exposure draft	Comments due date
7 May 2009	ED Derecognition – Amendments to FRS 39 and FRS 107	17 June 2009
7 May 2009	ED Income Tax	20 May 2009
17 June 2009	ED Amendments to INT FRS 114	30 June 2009
17 June 2009	ED Fair value measurement	4 August 2009
22 July 2009	Financial Instruments: Classification and Measurement	19 August 2009
12 August 2009	ED Classification of Rights Issues	23 August 2009
12 August 2009	ED D25 Extinguishing Financial Liabilities with Equity Instruments.	1 September 2009

Issue date	Discussion paper/Request for information	Comments due date
9 April 2009	Discussion Paper - Preliminary Views on Leases	20 May 2009
24 June 2009	The Discussion Paper - Credit Risk in Liability Measurement	5 August 2009
2 July 2009	Request for Information on the feasibility of an expected loss model for the impairment of financial assets.	7 August 2009

The above pronouncements are similar to those issued by the IASB and IFRIC.

Thailand

There were no new pronouncements issued by the Federation of Accounting Professions (FAP) during 1 April 2009 to 15 August 2009.

Vietnam

There were no new pronouncements issued by the standard-setting authority for Vietnam Accounting Standards during 1 April 2009 to 15 August 2009.



Contact information

For more information, please contact:

SEA

Head of Assurance & Advisory

Alan Nisbet
+65 6530 5509
anisbet@deloitte.com

Guam

Head of Assurance & Advisory

Dan Fitzgerald
Tel: +1 671 646 3884 ext. 229
dafitzgerald@deloitte.com

Technical Partner

Lee Vensel
Tel: +1 671 646 3884 ext. 201
lvensel@deloitte.com

Indonesia

Head of Assurance & Advisory

Osman Sitorus
Tel: +62 21 2312879, 2312955,
2312381 ext. 3887
ositorus@deloitte.com

Technical Partner

Numer Talampas
Tel: +62 21 2312879, 2312955,
2312381 ext. 3109
ntalampas@deloitte.com

Malaysia

Head of Assurance & Advisory

Mark Thomson
Tel: +60 3 7723 6512
mthomson@deloitte.com

Technical Partner

Cheong Thoong Farn
Tel: +60 3 7723 6527
tcheong@deloitte.com

Philippines

Head of Assurance & Advisory

Bonifacio F. Lumacang
Tel: +63 2 581 9006
blumacang@deloitte.com

Technical Partner

Cindy F. Ortiz
Tel: +63 2 581 9093
cfortiz@deloitte.com

Technical Partner

Wilfredo A. Baltazar
Tel: +63 2 581 9011
wbaltazar@deloitte.com

Singapore

Head of Assurance & Advisory

Cheung Pui Yuen
Tel: +65 6530 5580
pucheung@deloitte.com

Technical Partner

Shariq Barmaky
Tel: +65 6530 5508
shbarmaky@deloitte.com

Thailand

Head of Assurance & Advisory

Permsak Wongpatcharakorn
Tel: +66 2 676 5700 ext. 5169
pwongpatcharakorn@deloitte.com

Technical Partner

Suphamit Techamontrikul
Tel: +66 2 676 5700 ext. 5173
stechamontrikul@deloitte.com

Vietnam

Head of Assurance & Advisory

Truong Anh Hung
Tel: +84 9 03 44 02 64
htruong@deloitte.com

Technical Partner

Pham Hoai Nam
Tel: +84 9 13 22 21 52
npham@deloitte.com

For further information, visit our website at www.deloitte.com

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