



ICATT News

January- May 2011
Issue No. 4

What's inside?

President's Greeting

ICATT Appoints New General Manager

ICATT's 41st Annual General Meeting & Recognition Ceremony Highlights

ICATT's Continuous Professional Development (CPD) Highlights 2011

ICATT Congratulates Students' Accountancy Centre on 25 years of quality Education

ICATT & ACCA Host Joint Student Technical Session

ICATT President talks to Speyside High, first ever CAPE A' Level Accounting Students

ACCA & ICATT Recognise Top Awardees

Have you registered yet for the 5th Annual CAACM Conference?

Summary of Exposure drafts Presented by ICATT at the IFRS 9 & Leasing Exposure Draft Workshop held in February 2011

ICATT & ACCA host Breakfast Meeting on Proceeds of Crime

ICATT Recognises Employees of the Month

President's Greeting



Dear Members,

It gives me great pleasure to write to you once again, in this fourth edition of ICATT News. I begin by thanking my fellow Council members for re-electing me as President for another one-year term following our AGM in March. It has been a busy time as we streamline our operations to better serve you our valued members, students and affiliates as well as encourage new members to join the Institute. We also appointed a General Manager, Subert Gilbert in March. Subert brings a wealth of experience to the job of General Manager, having served at the highest level at the Inland Revenue Division of the Ministry of Finance and at the Integrity Commission. I am certain you would join me in wishing Subert a productive and mutually beneficial association with the Institute.

For the first quarter of 2011, the priority items on our agenda were:

- **Affiliate & Student Member Feedback:** We conducted two e-surveys with our affiliate and student members over a three week period from January to February 2011. The objective of the survey was to determine feedback on the service ICATT provides and how we could better meet the needs of these important stakeholders. Approximately 6,000 students & approximately 1,000 affiliates were invited to participate in the survey which gave us much food for thought as we develop the necessary products and services.
- **Seminars & Workshops:** We conducted six workshops/training sessions for 2011 thus far for our members and one major student technical session, a testament to our commitment to continuous professional development. We highlight the major points of these sessions inside this issue. For the rest of 2011 we have an interesting line-up of training sessions including our flagship Finance and Business Conference in November. We want to maintain the 2-day conference approach of Wednesday 2nd November and Thursday 3rd November (all-day training sessions). We will celebrate our Institute's achievements over the past year with the President's Dinner and Dance on the evening of Friday November 4th. This amended format is a direct result of your feedback during our e-surveys earlier this year. Details of the events would be released in due course.
- **Hosting of a successful AGM and New Member recognition ceremony:** In March of this year, members attended a successful AGM at the Courtyard by Marriott and raised some pertinent issues in relation to the services ICATT provides and how we could better meet your needs. There was also the appointment/re-appointment of council members for the new term and recognition of new members who have joined the Institute. I take this opportunity to thank those council members who have served us and were not re-elected, namely; Marie Borely, Richard Roach and Ruthven Jack. I also salute two Council members who resigned subsequent to the AGM, namely; Angela Lee Loy, ICATT's first and still only female President and Andrew Tom, former Vice President. Angela's contribution to the development of ICATT and the regional Institute ICAC (where she also served as the first and still only female president) has been invaluable, her commitment to service has been a source of encouragement for me personally – we would certainly miss her input at Council meetings. Andrew has resigned from Council to serve his firm, Ernst and Young at its Jamaican office from April 2011. We wish Andrew and his family God's blessings in their new world. Finally, I welcome and extend special congratulations to our new Council members, namely; Nicole Joseph, Amarjit Chadee and David Raggay (who previously served as a Council Member).
- **Continued Engagement of members, students & stakeholders:** ICATT was a Titanium sponsor at the Students' Accountancy Centre's (SAC) 25 anniversary celebration held in March and is proud to acknowledge SAC as one of the leading schools of Accountancy education in Trinidad & Tobago and the region.
- **New Initiatives:** There are several new initiatives engaging Council at the moment. These I would brief you on as they unfold. Maybe the most significant is the World Bank's planned ROSC review of compliance with International Accounting and Auditing Standards in Trinidad and Tobago. The outcome of this review would be significant as it would provide us with a yardstick of how successful our attempts have been in adopting and implementing IFRS and ISA in Trinidad and Tobago over the past decade. Our last ROSC Review was done in 2002. We plan to engage the government of Trinidad and Tobago in the roll out of our strategic plan 2011-2013; as we seek to enforce best international practice in the conduct of our affairs in Trinidad and Tobago. Our proposed regulatory model may require legislative reform and greater governmental support, if we are to achieve the intended goals and objectives. We are confident that our self regulatory model can withstand scrutiny and look forward to the government partnering with us in the delivery of a robust regulatory regime for all chartered accountants in Trinidad and Tobago.

As I close, I urge you to become more active members of your Institute and to encourage your friends and colleagues who are not yet a part of ICATT to join us immediately. I am proud to be the president of the Institute at this juncture and look forward to continuing to serve you with the support of my fellow Council members; as we build a stronger, stakeholder-focussed and quality service delivery Institute.

Anthony P. Pierre
President



The Institute of Chartered Accountants
 of Trinidad and Tobago

ICATT



Experience meets Excellence

ICATT Welcomes New General Manager

The Institute of Chartered Accountants of Trinidad & Tobago (ICATT) is pleased to announce the appointment of our new General Manager, Subert Gilbert, CISA. Subert brings over three decades of experience to ICATT and is a former Director of Tax Administration and Assistant Commissioner at the Inland Revenue Division, Ministry of Finance. He was also employed at the Office of the Integrity Commission as an Investigating Analyst.

Additionally, Subert conducted a series of lecture engagements in Computer Auditing and various areas of Tax Administration in Tanzania at the East & South Africa Management Institute, (ESAMI), Mzumbe University and the Tanzania Revenue Authority, Institute of Tax Administration (IOTA).

Subert is also an Associate member of the Association of Certified Fraud Examiners and a Certified Information Systems Auditor (CISA) and has represented Trinidad and Tobago as a national Rugby football player.

ICATT's 41st Annual General Meeting & Recognition Ceremony Highlights 2011

On Thursday 24th March 2011, The Institute of Chartered Accountants of Trinidad and Tobago (ICATT) welcomed new members of the Institute who joined over the period of November 2010 to February 2011 in a special presentation ceremony at the Courtyard by Marriott, Invader's Bay in Port of Spain.

Approximately 69 persons joined the Institute over the period bringing our membership total to approximately 1000 persons. Inductees were specially welcomed by our new General Manager, Subert Gilbert who brings over three decades of experience to ICATT.

Prior to the recognition ceremony, ICATT held its 41st Annual General Meeting where three new members were elected to council and one member re-elected, they were: New Council Members: Nicole Joseph, FCCA, Senior Manager – Tax Services at KPMG; David Raggay, Managing Principal of IFRS Consultants; Amarjit Chadee, FCCA, CA, Managing Partner, Hardys Chartered Accountants.

Re-elected Council Member: Marlene Murray, B.Sc., M.Sc., CA, CFA who was previously appointed to Council in 2009. Additionally, Anthony P. Pierre was re-elected President for a third term for 2011/ 2012 and Derek Mohammed was elected Vice President and Rudranand Maharaj was elected 2nd Vice President.

ICATT President, Anthony P. Pierre welcomed guests and advised attendees that ICATT recently reviewed its Strategic Plan and was intent on developing programmes and strategies that would add greater value to members. Visit www.icatt.org for more photo highlights.

ICATT Council 2011/ 2012



Anthony Pierre
President, CA, FCCA, CFC, ACFE



Derek Mohammed
Vice President, CA, ACMA



Rudranand Maharaj
2nd Vice President, CA, FCCA



Nicole Joseph
CA, FCCA



Amarjit Chadee
CA, FCCA



David Raggay
BSc., MSc., CA



Peter Gittans
CA, FCCA



Kyle Ruddan
CA, FIA, FSA, FCCA, ACAS, ACIB



Sean Ramirez
CA, FCCA, ACIB



Marlene Murray
B.Sc., M.Sc., CA, CFA



Earl Wilson
CA, FCCA, MBA (Financial Services)



Tel: 868-823-8000
Email: icatt@tst.net.tt
Web: www.icatt.org



A new member receives his recognition certificate from former ICATT Vice President, Andrew Tom (left)



Mrs. Sharman Ottley, Auditor General of Trinidad & Tobago & ICATT Member



A member asks questions



Mrs. Angela Lee Loy, Former ICATT Council Member chats with Subert Gilbert, ICATT's General Manager



A cross section of the audience

ICATT's Continuous Professional Development (CPD) Highlights

The following offer brief summaries of ICATT'S CPD activities from February to May 2011.

February 2011: Updates on Current Positioning of Exposure Drafts with respect to Revenue recognition, Defined Benefit Plans, Liabilities & Consolidation. This half day workshop was facilitated by Haseeb Mohammed of PwC. A summary of the exposure drafts presented are outlined in later pages.

March 2011: Two workshops were hosted in March by ICATT: Succession Planning, Estate Planning & Investment and the annual Taxation workshops. Facilitated by Bob Gopee, Managing Partner of Bob Gopee & Associates Chartered Accountants and Trevor Philip, Director, Trust & Estate Planning Resource Limited, the succession planning workshop addressed the issues of arming accountants with information to better service their clients on traditionally cross-border subjects, namely estate planning and investments - naturally the purview of financial advisers and investment consultants.

The Taxation workshops were hosted by Rupert Gooding, Tax Consultant & Attorney-At-Law who addressed the Scope of Trinidad & Tobago Tax Legislation & Practice. An overview is outlined in the following pages.

April 2011: The ICATT and ACCA partnered for two events in April. They were The Changing Regulatory Framework in Trinidad and Tobago as it Relates to Proceeds of Crime & Related Matters. Attendees heard presentations from ICATT Representatives; Directors of the Financial Intelligence Unit (FIU); Financial Investigations Branch, SAUTT & Representatives of the Board of Inland Revenue. Additionally, ICATT & ACCA partnered for a one day workshop on Forensic Accounting & Fraud facilitated by Mark Thompson Forensic Investigations Director at Duncan & Toplis, an East Midlands, UK based firm of chartered accountants. His specialties include investigating and managing major fraud cases, asset tracing and money laundering investigations, fraud risk management and fraud advisory work. He started his career as a police officer before becoming a forensic accountant specialising in fraud investigation and helped establish the Serious Fraud Office's proceeds of crime unit in the UK, where his work included some of the largest and most complex confiscation cases dealt with by UK law enforcement. Participants were exposed to: Forensic accounting legal framework, Fraud landscape – regulatory bodies, private sector organisation; Evidence, note taking and disclosure; Financial analysis techniques; Forensic report writing; Money laundering and asset recovery.

May 2011: As a follow-up to a half day workshop conducted by Haseeb Mohammed in December 2010, ICATT hosted a half-day session on IFRS 9 & Leasing Exposure Draft Workshop. Attendees were exposed to IFRS 9- Financial Instruments- Classification & Measurement of Financial Assets; IFRS 9 (October 2010) Financial Instruments - Classification & Measurement of Financial liabilities; Overview of the exposure draft on Leasing issued in August 2010; Further updates on Exposure draft on leasing based on IASB/FASB Board deliberations:

January 2011

- Feedback on comment letters
- Revised right-of-use model for lessees
- Lessor accounting

February 2011

- Lease term (tentative decision)
- Variable lease payments (tentative decision)
- Dual lessee model (direction agreed for undertaking further targeted outreach)
- Definition of a lease (direction agreed for undertaking further targeted outreach)

ICATT Congratulates Students' Accountancy Centre on 25 years of quality Education

ICATT was a proud Titanium sponsor of the Students' Accountancy Centre's 25th Anniversary celebration held in March of this year. Many of ICATT's members can attest to attending classes at SAC as well as meeting lifelong friends at the Institution.

ICATT's General Manager, Subert Gilbert brought remarks on behalf of the Institute who said, 'Congratulations to Eddie and team on a job well done! Under your tutelage you have produced many men and women who have gone on to make major contributions to industry, the society and the region and for that we are truly grateful. As the regulatory accountancy body of Trinidad and Tobago we understand that the SAC experience plays a very important part in the Accounting student's development. It's the stage at which the accountancy mindset is developed and the behaviours that will follow them throughout life are inculcated.'

Additionally, ICATT President, Anthony Pierre who was a former lecture at SAC received a special recognition award at the ceremony. Mr. Pierre and Ms. Brenda Lee Tang, Head of Corporate Development at ACCA were privileged to raise a toast on behalf of attendees to Edward Yee Fung and the SAC Team.



Students Accountancy Centre Limited



ICATT President, Anthony Pierre & ACCA Head of Corporate Development, Brenda Lee Tang raise the celebratory toast.

ICATT and ACCA jointly hosted a student technical session in February 2011 on Calculation and Interpretation of Accounting Ratios and Trends facilitated by Mr. Haseeb Mohammed of PwC who is one of the foremost experts in this field. The objectives of the session were to help improve students' overall performance by providing the tools and techniques for improved performance with regards to the ACCA paper F7. The session explored among other topics: • Types of interpretation scenarios • Financial ratios • Approach to interpretation question • Limitations of interpretation techniques. These sessions are part of ICATT and ACCA's ongoing efforts to provide more value to our students while ensuring success at the exam level.



ICATT President, Anthony Pierre welcomes students

ACCA & ICATT Recognise Top Awardees

ACCA and ICATT jointly hosted their annual Recognition Ceremony that honoured successful candidates and top performers of the June 2009, December 2009 and June 2010 examinations from Trinidad and Tobago and the Eastern Caribbean in December 2010. Congratulations are extended to all prize winners and thanks to our valuable sponsors.



L to R CAT top performers Preta Boodram, Keston Beeray and Romano Birch, Shane Kissoon, Manager ACCA Southern Caribbean, Brenda Lee Tang, Head of Corporate Development ACCA Caribbean, ACCA top performers, Hanna Laidlow and Andre Adimoolah, Kyle Rudden ICATT Council member and Anthony Pierre, ICATT President

ICATT President talks to Speyside High, first ever CAPE A' Level Accounting Students

In February, ICATT President, Mr. Anthony P. Pierre visited Speyside High School in Tobago to speak with the first ever cohort of CAPE A' Level students at the school on careers in accounting and other issues that exist in the financial services sector.

This was the first such visit to Tobago by ICATT in recent times and is part of ICATT's thrust to promote the benefits and opportunities that exist in the profession to students. Mr. Pierre stated that, 'More and more young persons are entering the field of accounting and ICATT as regulator is there to ensure that they have the information they need to establish career objectives and implement the behaviours that aid in the development of the profession'.

This trip is the first of many that ICATT will be embarking on in 2011 to service our stakeholders.

ICATT is Pleased to Announce our First ever Career Fair



ARE YOU INTERESTED IN PURSUING
**A CAREER IN
ACCOUNTANCY?**

THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF TRINIDAD AND TOBAGO hosts its:



**CAREER FAIR:
A PROFESSIONAL
DEVELOPMENT FORUM**



The Hyatt Regency Port of Spain Ballroom
Saturday July 30th 2011 • 9.00AM TO 6.00PM

ADMISSION IS FREE • OPEN TO ALL MEMBERS OF THE PUBLIC





HYATT Regency Hotel Trinidad, Port of Spain July 13 -15th 2011

Adding Value, Not Bureaucracy: The Role of the Audit Committee in Assessing Your Business Risk Profile, Risk Priorities & Governance Structures

in collaboration with



Conference Overview

This Conference will sensitize participants about the importance of adopting international best practices with regards to operational and management issues surrounding all elements of Enterprise Risk Management- principles, guidelines, and implementation. In the current economic environment, the role of Audit Committees and other professional accountants and auditors responsible for producing and interpreting financial statements have been put under the radar, it is critically important that shareholders be adequately apprised of all factors affecting businesses in the short and long term. Risk is likely to continue to be one of the major priorities of businesses, as management seeks to identify and evaluate all vulnerabilities impacting on their profit bottom line especially, what is referred to as low probability high impact risk.

The Conference is expected to:

- * Provide delegates with a comprehensive understanding of ERM including an introduction to modern day methods of implementing ERM practices.
- * IT Risk and Oversight issues.
- * Highlight findings relating to recent COSO Fraud Studies.

The Conference will also provide participants with:

A forum for the internal auditors in the region to discuss the issues and challenges they face and share strategies to effectively deal with the existing challenges, and to enhance growth and competitiveness of their businesses.

The Conference is targeted towards:

- * Members of CAACM & ICATT including Audit Committee members from various businesses
- * Senior management such as CFOs, CEOs, COOs, Professional Accountants and Auditors, Board of Directors including outside Directors and owners of small and medium-sized entities and other interest groups.

Visit www.icatt.org for the full conference agenda, to register & pay online or contact
Tricia Mayers– Ashby at 623 8000 ext. 227 or via email at tricia.mayers.ashby@icatt.org

ICATT Hosts Annual Taxation Workshops

' The facilitator reminded participants that tax law must be interpreted strictly. This was important so that participants faced with a tax issue would seek a resolution firmly based on the law rather than appealing to what is reasonable or equitable or on misguided practice.'

The Institute held two taxation workshops one on March 29, 2011 at the Arthur Lok Jack School of Business, the other on March 31, 2011 at the Palm Hotel in San Fernando. There was full capacity attendance at both workshops which were facilitated by Rupert Gooding, former Director of Revenue Training and former Acting Commissioner at the Board of Inland Revenue.

A wide range of topics was covered, all on tax law and practice in Trinidad and Tobago. The Income Tax Act was discussed with particular emphasis on the tax treatment of payments to employees, including benefits in kind and termination payments, the reporting responsibilities of employers with respect to PAYE and guidance to distinguish between a contract for service and one for services. The determination of the residence of individuals for taxation

purposes, application of withholding taxes and the effect of Double Taxation Treaties, with worked examples, also figured prominently in the workshops.

The sessions also covered tax provisions specific to companies, including allowances and group relief. The afternoon session of each workshop was devoted to an overview of the Value Added Tax Act, the powers of the Board of Inland Revenue including the power to make additional assessments and the procedures to be followed for objections and appeals. As is standard at these workshops emphasis was also placed on the latest amendments to the Tax legislation. There was a broad spectrum of participants including accountancy students, recent accountancy graduates and practitioners specializing in Tax.



These workshops which are fixtures in the Institute's calendar are meant to provide participants, with extensive knowledge of local taxation, the opportunity to refresh their understanding and those with little knowledge to establish a law based understanding of local taxation. Indeed, the facilitator based his presentation on the assumption of zero local tax knowledge to accommodate those participants who have not been exposed to local taxation. Because of the highly interactive nature of the workshops many pertinent questions came from the audience especially from highly experienced tax practitioners adding immense value to the presentation.

The facilitator reminded participants that tax law must be interpreted strictly. This was important so that participants faced with a tax issue would seek a resolution firmly based on the law rather than appealing to what is reasonable or equitable or on misguided practice. Feedback indicated that participants enjoyed the sessions with virtually all of them giving a rating ranging from very good to excellent.

ICATT Participates in ACCA Audit Roundtable

On May 25, ACCA hosted an Audit Roundtable in Trinidad and Tobago at the Hilton Trinidad and Conference Centre. The Roundtable featured industry leaders speaking on relevant topics such as The Audit and Stakeholder Value; The Framework of Reporting; The Professional and Ethical Standards of Auditors in T&T; and Auditors and Oversight and Regulatory Bodies.

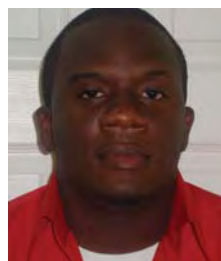
Of specific interest was the session organized and moderated by ICATT on The Professional and Ethical Standards of Auditors in T&T and explored issues of ethics, compliance and audit practice. This session was well received and speakers included ICATT members and council members as Anthony Pierre, President, and Peter Gittens.

ICATT Recognises Employees of the Month

Two employees were selected as ICATT's Employee of the month for their hardwork and dedication. They were:

April 2011: Ariel Burgin, ICATT's Telephone Operator/Office Assistant

May 2011: Oneika Bushell, ICATT's Marketing & Communications Officer



Ariel Burgin



Oneika Bushell

On Friday 29th April, under the theme, '**The Changing Regulatory Framework in Trinidad and Tobago as it relates to Proceeds of Crime and Related Matters**'; ICATT in collaboration with ACCA Caribbean hosted a breakfast meeting at the at the Crowne Plaza Hotel that attracted approximately 200 attendees. The objective of the workshop was geared at providing pertinent information to ICATT Members, Affiliates, Stakeholders and the general public on gaining a better understanding of the regulatory framework as it relates to the Accounting profession and a clear understanding of the functions and compliance of the FIU, SAUTT and the FIB. Presentations were delivered by the following:

Nigel Stoddard: Deputy Director, Financial Intelligence Unit (FIU)- Mr. Stoddard discussed the role and function of the FIU, highlighted a brief overview of the recently issued regulations and the intended purpose of the Finance Act. He also pointed out how the FIU promotes consistent adherence to legislation and regulation by ensuring effective and consistent monitoring across the profession in the Accounting Profession.

Sergeant Avinash Singh, SAUTT: Sergeant Singh gave an overview of the role and function of the Ministry of National Security with respect to combating organized crime and how the collaborative efforts of the FIU and MONS assist in their respective investigations.

Richard Wood, Manager, Criminal Investigations Unit, Board of Inland Revenue: Mr. Wood, clarified the role and function of the Board of Inland Revenue, Criminal Tax Investigation Unit in relation to combating Tax Evasion and Fraud.

Nadia Mohammed, Manager Risk, PwC: Ms. Mohammed's presentation sought to provide an understanding of the obligations for accountants who perform external audits and by extension, the expectations for accounts with respect to Anti Money Laundering.

ICATT remains committed to providing members with the relevant and timely information.

Summary of Exposure drafts Presented by ICATT at the IFRS 9 & Leasing Exposure Draft Workshop held in February 2011

Exposure Draft 10 Consolidation (Please note that in May 2011, this Exposure Draft became IFRS 10. For further IFRS 10 details please visit the IASB's website)

Revised definition of control

- The revised definition will focus on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.
- The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. An investor with more than half the voting would meet the power criteria in the absence of restrictions or other circumstances.
- The application guidance includes examples of when an investor may have control with less than half of the voting rights. When assessing if it controls the investee, it should consider potential voting rights, economic dependency and the size of its shareholding in comparison to other holdings, together with voting patterns at shareholder meetings. This last consideration will bring the notion of 'de facto' firmly within the consolidation standard.
- The staff draft also includes guidance on participating and protective rights and agent/principal relationships. Participating rights give an investor the ability to direct the activities of an investee that significantly affect the returns. Protective rights (often known as veto rights) may restrict an investor's ability to control if the rights apply to decisions in the ordinary course of business.
- An investor (the agent) may be engaged to act on behalf of a single party or a group of parties (the principals). Certain power is delegated to the agent - for example, to manage investments. The investor may or may not have control over the pooled investment funds. The staff draft includes a number of factors to consider when determining whether or not the investor has control or is acting as an agent.

Exposure Draft on Revenue recognition

- The proposed model requires that revenue is recognised when an entity satisfies its obligations to its customer (performance obligations). The proposal defines a performance obligation as an enforceable promise in the contract that includes both explicit and implicit promises to transfer goods and services to a customer. Performance obligations are satisfied when control of a good or service transfers to the customer, which is when the customer is able to use, and receive benefits from, the good or service.
- Identifying the performance obligations in a contract will be critical in applying the proposed model and will require significant judgment. This may be particularly challenging for service arrangements and long-term contracts. It will also be challenging to determine when performance obligations should be combined and when they should be separated, which will be a key driver in determining the amount and timing of revenue recognition.
- Revenue is measured based on the transaction price, which is the amount the customer promises to pay in exchange for goods or services. The transaction price is usually easy to determine when it is a fixed amount of cash at the time of sale. It may be more difficult to determine if the consideration could vary in the future depending on the resolution of an uncertainty or when the transaction price is affected by the time value of money or involves non-cash consideration.
- The transaction price will include variable or contingent consideration when such amounts can be reasonably estimated, which is a fundamental change from most current practice. In those cases, the transaction price is measured using a probability-weighted estimate of the consideration expected to be received. The transaction price should also reflect the customer's credit risk by recognising only a probability-weighted estimate of the expected receipts and the impact of the time value of money, when material. The proposal will generally require greater use of estimates than under existing guidance.
- The proposed model requires the transaction price to be allocated to performance obligations based on relative standalone selling prices. Other allocation methods used under existing guidance will not be allowed. The best evidence of the standalone selling price is the price of a good or service when the entity sells it separately. The selling price is estimated if a standalone selling price is not available.
- Performance obligations are not re-measured after the inception of the contract unless the transaction price changes. For example, estimates of the transaction price could change particularly when there is variable consideration. The proposed model requires an on-going assessment of the costs expected to satisfy outstanding performance obligations. If the direct costs exceed the allocated transaction price related to a performance obligation, a loss is recorded immediately.
- The proposal includes application guidance for some of the more common issues that arise in accounting for revenue, including product warranties, rights of return, and licenses. Product warranties will be accounted for differently than under current guidance, which may impact both the timing and measurement of revenue. The proposal also includes a model for customer return rights that is generally consistent with current practice. The timing of revenue recognition for licenses of intangible assets will depend on whether the license is exclusive, and whether or not the license is for the entire economic life of the asset.
- The new model will require more extensive disclosures than are currently required under US GAAP and IFRS. These disclosures will focus on qualitative and quantitative information, and the significant judgments and assumptions made in measuring and recognising revenue.
- The proposal requires full retrospective application upon adoption, meaning that an entity must apply the model to all contracts in existence in any of the periods presented (even for contracts completed before the year of adoption). The exposure draft does not propose a specific effective date. We anticipate the final standard to have an effective date no earlier than 2014, given the proposed retrospective application of the new model.

Exposure Draft Workshop held in February 2011 Cont'd

Exposure draft on Defined Benefit Plans

The key proposals are as follows:

- Recognition of actuarial gains and losses: actuarial gains and losses will be recognised immediately in 'other comprehensive income' (OCI). The 'corridor and spreading' option in IAS 19, which allows delayed recognition of actuarial gains and losses for post-employment benefits, will be prohibited. Immediate recognition in profit and loss, which is currently permitted for post-employment benefits and required for other long term benefits, will also be prohibited. Actuarial gains and losses recognised in OCI will not be recycled through profit or loss in subsequent periods
- Actuarial gains and losses arise both from changes in the assumptions used to measure pension and other long term employee benefit obligations and from differences between previous assumptions and what has actually occurred in the period. These assumptions include, for example, assumptions about increases in salaries and pensions and the mortality rate, and the estimate of the discount rate. The proposed changes will mean increased balance sheet and total comprehensive income volatility for entities that currently use the corridor and spreading method.
- Recognition of past-service cost: all past-service cost will be recognised in profit or loss when the employee benefit plan is amended. Past-service cost arises when the terms of a benefit plan are amended to provide additional benefits for service the employee has already delivered. These additional benefits are sometimes conditional on the employee providing future service. IAS 19 currently requires past-service cost to be recognised on a straight-line basis until the future service has been delivered, or recognised immediately if no future service is required. This proposal means that past-service cost can no longer be spread over the future service period, which will increase volatility in profit or loss in the period in which plan amendments occur.
- Measurement of pension expense: the expected return on plan assets and the interest cost on the pension obligation will be replaced by a new method of calculating the finance cost associated with a funded pension obligation. The expected return on plan assets is the expected income from the assets held in a funded plan and the changes in the fair value of those assets. IAS 19 currently requires the expected return on plan assets to be one component of the annual cost of the plan, and the difference between this expected return and the actual return in the period is treated as an actuarial gain or loss.
- The ED proposes that net interest expense or income will be calculated by applying an appropriate discount rate to the net surplus or deficit in the plan. The discount rate will be a high-quality corporate bond rate in markets where there is a deep market in such bonds, and a government bond rate in other markets. The measurement of interest cost for an unfunded plan remains unchanged.
- The effect of this proposal is that the income earned on the assets held by a funded pension plan will be determined using the same discount rate that is used to calculate the present value of the pension obligation. The difference between this amount and the actual return in the period will continue to be treated as an actuarial gain or loss. The expected return on plan assets is usually higher than the discount rate, so the proposed change will increase the pension cost recognised in profit or loss for most entities with funded plans.
- Presentation of pension expense: IAS 19 will be amended to remove the flexibility around where in profit or loss the components of pension expense are recognised. The cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost and curtailments) will be recognised as an operating expense. Interest expense or income will be recognised as a financing item. Any other re-measurements (actuarial gains and losses, the effects of the asset limitation and settlements) will be recognised net of tax in OCI.
- Disclosure requirements: additional disclosures will be required to present the characteristics of the entity's benefit plans, the amounts recognised in the financial statements and the risks arising from defined benefit plans and multi-employer plans. The proposed changes will cover long-term benefits payable in service, as well as post-employment benefits, and are likely to increase the volume of disclosure for many entities.

They have arrived... IFRS 2011

ICATT is pleased to announce that we have received copies of the International Financial Reporting Standards IFRS 2011.

ICATT Members TT\$750.00 Non- Members TT\$850.00



Payment Methods

- * Pay Cash on Delivery
- * Cheque
- * Credit Card

Call ICATT at
623-8000 or 623-0176
or email us at
icatt@tstt.net.tt
to place your order.
Get your copy early!