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Appendix 1. Useful Internet Sites

Regulatory and Standard-Setting Bodies

Financial Accounting Standards Board (US)	FASB	www.fasb.org
Government Accounting Standards Board (US)	GASB	www.gasb.org
Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting of the UNCTAD	ISAR	www.unctad.org/isar/
International Accounting Standards Board	IASB	www.iasc.org.uk
International Auditing and Assurance Standards Board	IAASB	www.ifac.org/IAASB/
International Federation of Accountants	IFAC	www.ifac.org
International Organization of Supreme Audit Institutions	INTOSAI	www.intosai.org
International Valuation Standards Committee	IVSC	www.ivsc.org

Professional Organizations and Bodies

American Institute of Certified Public Accountants	AICPA	www.aicpa.org
ASEAN Federation of Accountants	AFA	www.afa-central.com
Association of Accounting Technicians	AAT	www.aat.co.uk
Association of Chartered Certified Accountants	ACCA	www.accaglobal.com
Canadian Institute of Chartered Accountants	CICA	www.cica.ca
Chartered Institute of Management Accountants	CIMA	www.cimaglobal.com
Confederation of Asian and Pacific Accountants	CAPA	www.capa.com.my
CPA Australia	...	www.cpaonline.com.au
Fiji Institute of Accountants	FIA	...
Hong Kong Society of Accountants	HKSA	www.hksa.org.hk
Institute of Certified Public Accountants of Singapore	ICPAS	www.icpas.org.sg
Institute of Chartered Accountants in Australia	ICAA	www.icaa.org.au

Institute of Chartered Accountants of New Zealand	ICANZ	www.icanz.co.nz
Institute of Chartered Accountants of Sri Lanka	ICASL	www.icasrilanka.com
Institute of Internal Auditors	IIA	www.theiia.org
Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting of the UNCTAD	ISAR	www.unctad.org/isar/
International Federation of Accountants	IFAC	www.ifac.org
International Organization of Supreme Audit Institutions	INTOSAI	www.intosai.org
Japanese Institute of Certified Public Accountants	JICPA	www.jicpa.or.jp
Korean Institute of Certified Public Accountants	KICPA	http://kicpa.or.kr
Malaysian Institute of Accountants	MIA	www.mia.org.my
Malaysian Institute of Certified Public Accountants	MICPA	www.micpa.com.my
Philippine Institute of Certified Public Accountants	PICPA	www.picpa.org.ph
South Asian Federation of Accountants	SAFA	www.citechco.net/safa/

International and Regional Organizations

Asia Pacific Economic Cooperation	APEC	www.apecsec.org.sg
Association of Southeast Asian Nations	ASEAN	www.aseansec.org
Bank for International Settlements	BIS	www.bis.org
Financial Action Task Force on Money Laundering (OECD)	FATF	www1.oecd.org/fatf/
International Federation of Accountants	IFAC	www.Ifac.org
International Organization of Securities Commissions	IOSCO	www.iosco.org
International Organization of Supreme Audit Institutions	INTOSAI	www.intosai.org
Organisation for Economic Cooperation and Development	OECD	www.oecd.org
World Trade Organization	WTO	www.wto.org

Development Organizations

Multilateral

Asian Development Bank	ADB	www.adb.org
International Monetary Fund	IMF	www.imf.org
Islamic Development Bank	IsDB	www.isdb.org
United Nations Development Programme	UNDP	www.undp.org
World Bank	...	www.worldbank.org

Bilateral

Australian Agency for International Development	AusAID	www.ausaid.gov.au
Danish International Development Agency	DANIDA	www.um.dk/danida
Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)	GTZ	www.gtz.de
Japan Bank for International Cooperation	JBIC	www.jbic.go.jp
Japan International Cooperation Agency	JICA	www.jica.go.jp
New Zealand Agency for International Development	NZAID	www.nzaid.govt.nz
Swedish International Development Agency	SIDA	www.sida.se
United Kingdom Department for Interna- tional Development	DFID	www.dfid.gov.uk
United States Agency for International Development	USAID	www.usaid.gov

Appendix 2. International Accounting Standards (IAS)

The following IAS analysis was valid at 20 July 2002.

No.	Title	Revised	Abridged ⁸¹	Options ⁸²
...	Preface to International Financial Reporting Standards (IFRSs)	2002	...	...
1	Presentation of Financial Statements	1997	✓	...
2	Inventories	1993	✓	First-in First-out and weighted-average cost flow valuations (Last-in Last-out as alternative)
3	Consolidated Financial Statements. Originally issued 1976, effective 1 Jan 1977. No longer effective. Superseded in 1989 by IAS 27 and IAS 28.	...	...	...
4	Depreciation Accounting. Withdrawn in 1999, replaced by IAS 16, 22 and 38, all of which were issued or revised in 1998.	...	...	...
5	Information to Be Disclosed in Financial Statements. Originally issued October 1976, effective 1 January 1997. No longer effective. Superseded by IAS 1 in 1997.	...	...	...
6	Accounting Responses to Changing Prices. Superseded by IAS 15.	...	...	...
7	Cash Flow Statements	1992	✓	...
8	Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	1993	✓	Alternative treatments for the correction of fundamental errors
9	Accounting for Research and Development Activities. Superseded by IAS 38 effective 1 July 1999.	...	...	...

⁸¹ Abridged IASs for SME Accounting and Reporting recommended by the UNCTAD ISAR:
 • UNCTAD ISAR. 2001 July 16. *Accounting by Small and Medium-Sized Enterprises: Report by the Ad Hoc Consultative Group of Experts on Accounting by Small and Medium-Sized Enterprises*. Report No. TD/B/COM.2/ISAR/12. p. 7.

⁸² Identifies key options for accounting treatments.

APPENDIXES

No.	Title	Revised	Abridged ⁸¹	Options ⁸²
10	Events After the Balance Sheet Date	1999	✓	...
11	Construction Contracts	1993	...	...
12	Income Taxes	2000	✓	...
13	Presentation of Current Assets and Current Liabilities. Superseded by IAS 1.	...	...	...
14	Segment Reporting	1997	...	...
15	Information Reflecting the Effects of Changing Prices	1981	...	...
16	Property, Plant and Equipment	1998	✓	Historical cost (Revaluation as alternative)
17	Leases	1997	✓	...
18	Revenue	1993	✓	...
19	Employee Benefits	2002	...	Accrued benefit valuation method (Projected benefit method as alternative)
20	Accounting for Government Grants and Disclosure of Government Assistance	1983	✓	...
21	The Effects of Changes in Foreign Exchange Rates	1993	✓	Some choices
22	Business Combinations	1998	...	Allowed alternatives: (i) acquisition accounting on either Purchase Method or Pooling-of-Interests method basis; and (ii) measurement of minority interest and accounting for negative goodwill.
23	Borrowing Costs	1993	✓	Expensing (capitalization as alternative)
24	Related Party Disclosures	1984	✓	...
25	Accounting for Investments. Superseded by IAS 39 and IAS 40 effective 2001.	...	...	...
26	Accounting and Reporting by Retirement Benefit Plans	1987	...	...
27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	1989	...	...

ACCOUNTING AND AUDITING PRACTICES IN SELECTED DMCs

No.	Title	Revised	Abridged ⁸¹	Options ⁸²
28	Accounting for Investments in Associates	2000	...	...
29	Financial Reporting in Hyperinflationary Economies	1989	...	...
30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	1990	...	...
31	Financial Reporting of Interests In Joint Ventures	2000	...	...
32	Financial Instruments: Disclosures and Presentation	1998	...	...
33	Earnings Per Share	1997	...	...
34	Interim Financial Reporting	1998	...	...
35	Discontinuing Operations	1998	...	...
36	Impairment of Assets	1998	✓	...
37	Provisions, Contingent Liabilities and Contingent Assets	1998	...	...
38	Intangible Assets	1997	✓	...
39	Financial Instruments: Recognition and Measurement	2000	...	...
40	Investment Property	2000	...	...
41	Agriculture	2001	...	...

Appendix 3. IAS Interpretations (SICs)

As of 20 July 2002, the IASB Standing Interpretations Committee (SIC) had issued the following SICs.

SIC 1	Consistency - Different Cost Formulas for Inventories
SIC 2	Consistency - Capitalization of Borrowing Costs
SIC 3	Elimination of Unrealized Profits and Losses on Transactions with Associates
SIC 5	Classification of Financial Instruments – Contingent Settlement Provisions
SIC 6	Costs of Modifying Existing Software
SIC 7	Introduction of the Euro
SIC 8	First-Time Application of IASs as the Primary Basis of Accounting
SIC 9	Business Combinations – Classification either as Acquisitions or Unitings of Interests
SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 11	Foreign Exchange - Capitalization of Losses Resulting from Severe Currency Devaluations
SIC 12	Consolidation - Special Purpose Entities
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers
SIC 14	Property, Plant and Equipment – Compensation for the Impairment or Loss of Items
SIC 15	Operating Leases – Incentives
SIC 16	Share Capital - Reacquired Own Equity Instruments (Treasury Shares)
SIC 17	Equity - Costs of an Equity Transaction
SIC 18	Consistency - Alternative Methods
SIC 19	Reporting Currency – Measurement and Presentation of Financial Statements under IAS 21 and IAS 29
SIC 20	Equity Accounting Method – Recognition of Losses
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 22	Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported
SIC 23	Property, Plant and Equipment - Major Inspection or Overhaul Costs
SIC 24	Earnings Per Share - Financial Instruments that May Be Settled in Shares
SIC 25	Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders
SIC 27	Evaluating the Substance of Transactions in the Legal Form of a Lease
SIC 28	Business Combinations - 'Date of Exchange' and Fair Value of Equity Instruments
SIC 29	Disclosure - Service Concession Arrangements
SIC 30	Reporting Currency - Translation from Measurement Currency to Presentation Currency
SIC 31	Revenue - Barter Transactions Involving Advertising Services
SIC 32	Intangible Assets - Web Site Costs
SIC 33	Consolidation and Equity Method - Potential Voting Rights and Allocation of Ownership Interests

Appendix 4. International Standards on Auditing

The following International Standards on Auditing (ISAs) and International Auditing Practice Statements (IAPs) were in effect at 31 March 2002.

1. International Standards on Auditing (ISAs)

100	Assurance Engagements	520	Analytical Procedures
120	Framework of ISAs	530	Audit Sampling and other Selective Testing Procedures
200	Objective and General Principles Governing an Audit of Financial Statements	540	Audit of Accounting Estimates
210	Terms of Audit Engagements	550	Related Parties
220	Quality Control for Audit Work	560	Subsequent Events
230	Documentation	570	Going Concerns
240	The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements	580	Management Representations
240A	Fraud and Error	600	Using the Work of Another Auditor
250	Consideration of Laws and Regulations in an Audit of Financial Statements	610	Considering the Work of Internal Auditing
260	Communications of Audit Matters with those Charged with Governance	620	Using the Work of an Expert
300	Planning	700	The Auditor's Report on Finan- cial Statements
310	Knowledge of the Business	710	Comparatives
320	Audit Materiality	720	Other information in documents containing Audited Financial statements
400	Risk Assessments and Internal Control	800	The Auditor's Report on Special Purpose Audit Engagement
401	Auditing in a Computer Infor- mation Systems Environment	810	The Examination of Prospective Financial Information
402	Audit Considerations Relating to Entities Using Service Organizations	910	Engagements to Review Finan- cial Statements
500	Audit Evidence	920	Engagements to Perform Agreed Procedures Regarding Financial Information
501	Audit Evidence: Additional Considerations for Specific Items	930	Engagements to Compile Financial Information
505	External Confirmations		Glossary of Terms
510	Initial Engagements - Opening Balances		Preface to ISAs and RSts

2. International Auditing Practice Statements

1000	Inter-Bank Confirmation Procedures	1006	Audits of the Financial Statements of Banks
1001	Computer Information System (CIS) Environments: Standalone Microcomputer Systems	1007	[withdrawn]
1002	CIS Environments: Online Computer Systems	1008	Risk Assessments and Internal CIS Characteristics and Considerations
1003	CIS Environments: Database Systems	1009	Computer – Assisted Audit Techniques (CAATs)
1004	The Relationship Between Banking Supervisors and External Auditors	1010	The Consideration of Environmental Matters in the Audit of Financial Statements
1005	Special Consideration in Audits of Small Entities	1011	[withdrawn]
		1012	Auditing Derivative Financial Instruments
		1013	Electronic Commerce: Effect on the Audit of Financial Statements

Appendix 5. International Standards and Guidelines on Professional Arrangements

1. Overview

IFAC created a Compliance Committee in May 2000. The Committee is one of several initiatives designed to strengthen IFAC and the international profession. Its primary responsibilities are: (i) monitoring the relevance, sufficiency, and efficacy of IFAC membership obligations; (ii) monitoring member body compliance with these obligations; (iii) recommending actions to the IFAC Board and Council in respect of membership obligations; (iv) reviewing the investigative and disciplinary processes of member bodies, and reporting and making recommendations on these to the IFAC Board and Council; (v) considering how member bodies might best be encouraged, or if necessary, required to comply more closely with such obligations; (vi) devising schemes to assist member bodies to comply more closely and to considering whether additional powers are required to enforce compliance with membership obligations; and (vii) implementing agreed policy in this area. The Compliance Committee will also work closely with members of the Transnational Audit Committee (TAC) in its monitoring of the members of the IFAC Forum of Firms (FOF).

Table 9 sets out relevant international guidelines with respect to the accountancy profession. IFAC has also established a *Money Laundering Task Force*.

Table 9: International Guidelines for the Accountancy Profession

Confederation of Asian and Pacific Accountants (CAPA)	CAPA's Guide on the Essential Components of a Professional Accountancy Body ⁸³ covers: (i) admission/ advancement standards; (ii) full membership requirements; (iii) CPE; (iv) technical standards; (v) quality assurance/peer review program; (vi) registration as accountant/ auditor; (vii) disciplinary rules; (viii) management and administrative structures; (ix) governance; and (x) external affiliations/memberships. ⁸⁴
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⁸³ Confederation of Asian and Pacific Accountants (CAPA). 1998. *Guide on the Essential Components of a Professional Accountancy Body*.

⁸⁴ Further details are provided in: Narayan, Francis B., Ted Godden, Barry Reid, and Maria Rosa Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. Asian Development Bank. p. 27.

Table 9: International Guidelines for the Accountancy Profession (continued)

World Trade Organization (WTO): General Agreement on Trade in Services (GATS)	The criteria for recognizing professional qualifications may not exceed what is necessary to ensure service quality. Each country is expected to have a methodology for comparing professional qualifications, which must be applied in a fair and consistent manner to all applicants.
International Federation of Accountants (IFAC)	<p>IFAC pronouncements cover several areas:</p> <ul style="list-style-type: none"> • <i>Education Guidelines and Standards.</i> IFAC's Education Committee issues IESs and IEGs. The IESs are intended to establish the essential elements on which education and training programs, both prequalification and postqualification, for all accountants should be founded. The IEGs promote good practice and or provide good advice. They are based on careful study of the best practices and most effective methods for dealing with the issues being addressed. • <i>Code of Ethics for Professional Accountants.</i> This is intended to serve as a model on which to base national ethical guidance. It sets standards of conduct for professional accountants and states the fundamental principles that should be observed by professional accountants in order to achieve common objectives. • <i>Statement of Policy of Council: Implementation and Enforcement of Ethical Requirements.</i>⁸⁵ This statement sets expectations and provides guidance on disciplinary action, including punishment and publicity. • <i>Assuring the Quality of Professional Services.</i> This statement sets expectations on quality control policies and procedures for member bodies and professional firms.⁸⁶
Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) of the UNCTAD	<p>In February 1999, UNCTAD issued a report on accounting education and qualifications.⁸⁷ The report provides a useful set of benchmarks in respect of these issues, in particular:</p> <ul style="list-style-type: none"> • Guideline for a Global Accounting Curriculum and Other Qualification Requirements (including (i) requirements for the qualifications of professional accountants; and (ii) a guideline for national systems for the qualifications of professional qualifications. • Global Curriculum for the Professional Education of Professional Accountants (including: (i) organizational and business knowledge; (ii) information technology; and (iii) accounting and accounting-related knowledge.

⁸⁵ IFAC. 1998 January. *Statement of Policy of Council: Implementation and Enforcement of Ethical Requirements*. New York: IFAC.

⁸⁶ IFAC. 1999 August. *Assuring the Quality of Professional Services*. New York: IFAC.

⁸⁷ UNCTAD. 1999. *International Accounting and Reporting Issues: 1999 Review*. New York: United Nations.

2. Qualification Requirements

Introduction

International Education Standards (IESs) address prequalification education of professional accountants and continuing professional development. In mid-2002, the IFAC Education Committee released exposure drafts of seven standards and one guideline for public comment. The overall goal of the proposed standards is to support efforts to produce competent professional accountants.⁸⁸ The exposure drafts are summarized in Appendix 6.

Education

IFAC and ISAR have published guidelines on education requirements. The IFAC guidelines, such as IEG 9, provide an overview as to what is expected. The ISAR guidelines are more useful in a practical sense as they suggest a detailed curriculum structure and contents.⁸⁹

Experience

With regards to practical experience, international guidelines state that:

An appropriate period of relevant experience in performing the work of professional accountants must be a component of a prequalification program. The period of experience may vary due to differences in the environment in which professional accountants offer their services. However, this period should be long enough to permit prospective accountants to demonstrate they have gained the knowledge, skills and professional values sufficient for performing with professional competence and for continuing to grow throughout their careers. This objective cannot normally be met in a period of less than three years.

Para. 49, IEG 9.

⁸⁸ IFAC. 2002 July 16. *IFAC Requests Comments on International Education Standards for Professional Accountants*. Media Release. New York: IFAC. www.ifac.org

⁸⁹ UNCTAD. 1999. *International Accounting and Reporting Issues: 1999 Review*. New York: United Nations.

Moreover, IFAC recommends that practical experience requirements must be considered when professional bodies seek mutual recognition of qualifications.⁹⁰

Continuing Professional Education (CPE)

IFAC and ISAR recommend a minimum of 30 hours CPE per year, or a minimum of 90 hours in every three-year period, of structured learning activity.⁹¹

3. Quality Control and Assurance

“In the case of professional accountants in public practice, the implementation of appropriate quality control policies and procedures is the responsibility of each firm of practicing accountants. The task of encouraging and assisting firms of practicing accountants to maintain and improve the quality of professional services is primarily that of the member bodies in each country. IFAC believes that the member bodies have the responsibility to take appropriate steps to achieve that objective in the legal, social, business, and regulatory environment prevailing within their countries.”

– IFAC (August 1999)⁹²

In relation to quality control and assurance, IFAC suggests that:⁹³

- Member bodies should adopt or develop quality control standards and relevant guidance that require firms of practicing accountants to establish the quality control policies and procedures necessary to provide reasonable assurance of conforming with professional standards in performing services. The nature and extent of a firm’s quality control policies and procedures depend on a number of factors, such as the size and nature of its practice, its geographic dispersion, its organization and appropriate cost/benefit considerations. Accordingly, the policies and procedures adopted by individual firms will vary, as will the manner in which the policies and procedures themselves and compliance with them are documented.

⁹⁰ IFAC. 1995 June. *Statement of Policy of Council: Recognition of Professional Accountancy Qualifications*. New York: IFAC. Paragraph 22-25.

⁹¹ IFAC. 1998 May. *International Education Guideline (IEG) 2: Continuing Profession Education*. New York: IFAC.

⁹² IFAC. 1999 August. *Assuring the Quality of Professional Services*. New York: IFAC.

⁹³ *Ibid.*

- Member bodies should develop quality review programs designed to evaluate whether firms of practicing accountants have established appropriate quality control policies and procedures and are complying with those policies.
- Member bodies should establish quality review programs designed to evaluate whether firms of practicing accountants have complied with relevant professional standards for assurance engagements.
- Member bodies should require firms of practicing accountants to make appropriate improvements in their quality control policies and procedures, or in their compliance with those policies and procedures, when the need for such improvement is identified. Where firms fail to comply with relevant professional standards, the member body should take appropriate corrective action. Member bodies should also take such educational or disciplinary measures as indicated by the circumstances.

As a basic condition, IFAC emphasizes that implementation of an adequate self-regulatory program cannot be effected until firms of practicing accountants in a country are bound by an appropriate code of ethics and also by adequate standards governing accounting principles and engagements to provide professional services. The IFAC Code of Ethics for Professional Accountants, ISAs and IAS all provide guidance for such standards. Box 7 describes a rigorous approach to strengthening professional quality assurance.

Box 7: Professional Quality Assurance in the People's Republic of China

The People's Republic of China provides one example of how a quality assurance program can be implemented.⁹⁴ From July 1997 to March 1999, China conducted a nationwide rectification campaign of the accounting market. The campaign had four stages:

- Self-inspection. In the six months to December 1997, around 6,700 accounting firms conducted self-inspections. The self-inspections covered around 50 percent of their 1996–1997 activities. Just under 1.5 million business reports were inspected; of these, 26 percent were considered to be either defective or in need of correction.
- Focus Groups and Field Inspections. In January 1998, local CPA Institutes established working groups. In the following six months, these working groups conducted field inspections of 5,800 firms.
- Inspection Reviews. From July to the end of October 1998, 192 people selected by the Chinese Institute of Certified Public Accountants (CICPA) reviewed the inspections conducted in stages I and II. The reviews focused on 405 accounting firms.
- Reexamination. From November 1998 to March 1999, CICPA reexamined the qualifications and status of qualified accountants and accounting firms.

⁹⁴ Narayan, Francis, B. and Barry Reid. 2000. *Financial Management and Governance Issues in the People's Republic of China*. Asian Development Bank. pp. 35-39.

Box 7: Professional Quality Assurance in the People's Republic of China (*continued*)

As a consequence of the campaign almost 12,700 individual CPAs were either forced to withdraw from the profession or were disciplined (25 percent of CPAs). Many of these were older members who had not passed the uniform accounting examination, and around 580 accounting firms withdrew from the profession or had their licenses cancelled. Warnings and punishments were issued to a further 2,000 accounting firms (43 percent of firms).

CICPA judged the campaign to be a success based on the following evidence.⁹⁵ First, during the period of the campaign, 6,300 newly qualified accountants joined the profession. The net effect was to substantially improve the profession's age structure and knowledge. Second, to address problems that were identified in the inspections, 85 percent of accounting firms substantially improved their internal-management practices; improved professional rules; implemented or improved quality-control systems; increased training; and in doing so, effectively eliminated the problems that had been identified. Third, in 1998, the level of "non-clean" audit opinions given on listed companies rose dramatically (to around 12 percent of audit reports) which (arguably) indicated improved professional quality and ethics. Fourth, the credibility of CPAs in the eyes of the public, as measured by a media survey, climbed from 45 percent in 1996, to 81 percent in June 1998.

⁹⁵ Yong, Li. 1999. The Reform, Regulation and Opening-up of China's Accounting Market. *Contemporary Issues in China Accounting and Finance: Policy and Practice*. Oxford University Press. pp. 282–283.

Appendix 6. Proposed International Education Standards⁹⁶

The deadline for comments on these documents is 31 December 2002.

1. Proposed International Education Standards (IESs) for Professional Accountants

<i>Entry Requirements</i>	Prescribes entry requirements for candidates beginning the qualifying process for becoming professional accountants.
<i>Content of Professional Education Programs</i>	Prescribes the professional education candidates require to qualify as professional accountants.
<i>Professional Skills and General Education</i>	Prescribes the personal and professional skills candidates must have to qualify as professional accountants.
<i>Professional Values and Ethics</i>	Prescribes the professional values and ethics that professional accountants need to acquire during their programs of education and practical experience. The aim of this standard is to ensure that candidates for membership of an IFAC member body are equipped with the appropriate professional values and ethics to function as professional accountants.
<i>Experience Requirements</i>	Prescribes the practical experience and training IFAC member bodies should require their members to obtain to qualify as professional accountants. The aim of this standard is to ensure that candidates for members of an IFAC member body have acquired the practical experience considered appropriate at the time of qualification to function as competent professional accountants.
<i>Assessment of Professional Competence</i>	Prescribes the requirement for a process of assessment of a candidate's professional competence before admission to the profession.
<i>Continuing Professional Education and Development</i>	Prescribes that member bodies establish a continuing professional education and development (or CPD) requirement for all accountants. This is an important aspect of serving the public interest and fosters values of continuous learning and greater professional competence among professional accountants to better meet client and employer needs.

⁹⁶ IFAC. 2002 July 16. *IFAC Requests Comments on International Education Standards for Professional Accountants*. Media Release. New York: IFAC. www.ifac.org

2. Proposed International Education Guideline (IEG) for Professional Accountants

Continuing Professional Education and Development

Provides guidance to assist member bodies in establishing a requirement for an effective program of continuing professional education and development for members, as prescribed in the proposed IES on Continuing Professional Education and Development.

Appendix 7. International Public Sector Accounting Standards (IPSAS)

As of June 2002, the IFAC Public Sector Committee (PSC) had issued the following IPSASs:

- IPSAS 1 *Presentation of Financial Statements* prescribes the overall considerations for the presentation of financial statements, guidance for the structure and minimum requirements for the content of financial statements prepared under the accrual accounting basis.
- IPSAS 2 *Cash Flow Statements* requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing and financing activities. Cash flow information allows users to ascertain how a public sector entity raised the cash it required to fund its activities and the manner in which that cash was used.
- IPSAS 3 *Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies* requires the classification and disclosure of extraordinary items and the separate disclosure of certain items in the financial statements. It also specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors.
- IPSAS 4 *The Effect of Changes in Foreign Exchange Rates* deals with accounting for foreign currency transactions and foreign operations. IPSAS 4 sets out the requirements for deciding which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates.
- IPSAS 5 *Borrowing Costs* prescribes the accounting treatment for borrowing costs and generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
- IPSAS 6 *Consolidated Financial Statements and Accounting for Controlled Entities* requires all controlling entities to prepare consolidated financial statements, which consolidate all controlled entities on a line-by-line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.

- IPSAS 7 *Accounting for Investments in Associates* requires all investments in associates to be accounted for in the consolidated financial statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.
- IPSAS 8 *Financial Reporting of Interests in Joint Ventures* specifies proportionate consolidation as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. IPSAS 8 also permits—as an allowed alternative—joint ventures to be accounted for using the equity method of accounting.
- IPSAS 9 *Revenue from Exchange Transactions* establishes the conditions for the recognition of revenue arising from exchange transactions, requires such revenue to be measured at the fair value of the consideration received or receivable and includes disclosure requirements.
- IPSAS 10 *Financial Reporting in Hyperinflationary Economies* describes the characteristics of a hyperinflationary economy and requires financial statements of entities that operate in such economies to be restated.
- IPSAS 11 *Construction Contracts* defines construction contracts, establishes requirements for the recognition of revenues and expenses arising from such contracts and identifies certain disclosure requirements.
- IPSAS 12 *Inventories* defines inventories, establishes measurement requirements for inventories (including those inventories which are held for distribution at no or nominal charge) under the historical cost system and includes disclosure requirements.
- IPSAS 13 *Leases* prescribes the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.
- IPSAS 14 *Events After the Reporting Date* prescribes when entities should adjust their financial statements for events after the reporting date; and disclosures that entities should give about the date when the financial statements were authorized for issue and about events after the reporting date.
- IPSAS 15 *Financial Instruments: Disclosure and Presentation* provides guidance on the significance of on-balance-sheet and off-balance-sheet financial instruments to a government's or other public sector entity's financial position, performance and cash flows.
- IPSAS 16 *Investment Property* prescribes the accounting treatment for investment property and related disclosure requirements.
- IPSAS 17 *Property, Plant and Equipment* describes the principal issues in

accounting for property, plant and equipment, including the timing of recognition of the assets, the determination of their carrying amounts and the depreciation charges to be recognized in relation to them.

- IPSAS 18 *Segment Reporting* establishes principles for reporting financial information about distinguishable activities of a government or other public sector entity.
- *Glossary of Defined Terms* (IPSAS 1-IPSAS 18) identifies the terms defined in IPSASs on issue at 30 June 2002.

Appendix 8. International Public Sector Material

As of June 2002, the IFAC Public Sector Committee had released the following studies and guidance materials.

1. International Public Sector Studies

- Study 1 *Financial Reporting by National Governments* addresses the fundamental underpinnings of governmental financial reporting.
- Study 2 *Elements of the Financial Statements of National Governments* considers the elements (types or classes of financial information) to be reported in financial statements prepared under the different bases of accounting that may be employed by national governments and their major units and the way in which those elements may be defined.
- Study 3 *Auditing for Compliance with Authorities: A Public Sector Perspective* addresses aspects of the audit for compliance in the public sector that, in many countries, is subject to very different mandates and objectives than in the private sector.
- Study 4 *Using the Work of Other Auditors: A Public Sector Perspective* addresses using the work of other auditors, including both other external and internal auditors, in financial attest and compliance audits.
- Study 5 *Definition and Recognition of Assets* identifies and describes the variety of views which exist about whether, when and how specific assets should be measured and reported in the public sector.
- Study 6 *Accounting for and Reporting Liabilities* provides a public sector perspective on the definition and recognition of liabilities.
- Study 7 *Performance Reporting by Government Business Enterprises* identifies principal users of performance information, considers the needs of those users and outlines forms of reporting that could be available to meet those needs.
- Study 8 *The Government Financial Reporting Entity* considers the implications of different approaches to the definition of the government financial reporting entity and different techniques for the construction of government financial reports to the achievement of objectives of financial reports.
- Study 9 *Definition and Recognition of Revenues* examines concepts, principles and issues related to the definition and recognition of revenues in the general purpose financial statements of national governments and other nonbusiness public sector entities.

- Study 10 Definition and Recognition of Expenses and Expenditures examines the concepts, principles and issues related to the treatment of expenses/expenditures in general purpose financial statements of governments and other nonbusiness public sector entities.
- Study 11 *Government Financial Reporting: Accounting Issues and Practices* aims to assist governments at all levels in the identification of issues associated with financial reporting (on both the cash and accrual accounting bases).
- Study 12 *Perspectives on Cost Accounting for Governments* is intended to assist government financial aid officers and other government accountants in their efforts to develop and implement cost accounting.
- Study 13 *Governance in the Public Sector* examines public sector governance issues.
- Study 14 *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* is intended to help entities intending to move to the accrual basis of accounting and comply with the accrual-based IPSASs.

2. Occasional Papers

- No. 1 *Implementing Accrual Accounting in Government: The New Zealand Experience*
- No. 2 *Auditing Whole of Government Financial Statements - The New Zealand Experience*
- No. 3 *Perspectives on Accrual Accounting* aims to inform readers about a range of perspectives on accrual accounting from a number of contributors who have experience in implementing accounting reform in the public sector or who have observed its progress.
- No. 4 *The Delegation of Public Services in France - An Original Method of Public Administration: Delegated Public Service* describes the specific framework designed in France to manage the relationship between a government entity and a private sector entity contracted to deliver a certain service, and to ensure an adequate level of information and accountability.
- No. 5 *Resource Accounting: Framework of Accounting Standard Setting in the United Kingdom Central Government Sector* considers the experiences of the United Kingdom, which decided to move to an accrual basis for both budgeting and financial reporting in 1995.