



Quarterly Financial Reporting Update

**Issue 9
February 2006**

Summary of Key Developments

Federation of Accounting Professions

- The Federation of Accounting Professions (FAP) is in the process of carrying out an extensive revision project on Thai Accounting Standards (TAS) which is based on the IASB's improvements project. (Page 3)

Thai Securities and Exchange Commission

- On 16 November, the Thai Securities and Exchange Commission (Thai SEC), supported by the Federation of Accounting Profession (FAP), issued guidance on certain accounting issues to be adopted by SEC regulated entities under the Securities and Exchange Act B.E. 2535. (Page 4)

Thailand – Other

- The Department of Business Development (DBD) clarifies the requirement for registered accountants to report continuing professional development hours (CPD hours). (Page 4)

International Financial Reporting Standards (formerly International Accounting Standards)

- The International Financial Reporting Interpretations Committee (IFRIC) issued Interpretation IFRIC 7 'Applying the Restatement Approach under IAS 29' Financial Reporting in Hyperinflationary Economies on 24 November 2005. (Page 5)
- On January 8 the International Financial Reporting Interpretations Committee (IFRIC) has issued IFRIC 8, 'Scope of IFRS 2' clarifying the scope of IFRS 2 for cases in which it might be difficult to demonstrate that goods or services have been (or will be) received. (Page 5)
- The International Accounting Standards Board (IASB) issued in January 2006 an Exposure Draft on Segment Reporting as a result of a joint project with the US Financial Accounting Standards Board (FASB). (Page 5)
- The International Accounting Standards Committee Foundation (IASCF) published on 7 November 2005, a user's guide through the official text of IAS 32, IAS 39 and IFRS 7. (Page 6)
- The International Accounting Standards Board (IASB) issued a statement on 'de facto control', clarifying that the concept of 'de facto control' is included in IAS 27R. (Page 6)
- The International Accounting Standards Board (IASB) issued proposed amendments to IFRS 2, 'Share-based Payment' for public comment on 2 February 2006. (Page 6)



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Summary of Key Developments (continued)

United States Generally Accepted Accounting Principles

- In November 2005, the Financial Accounting Standards Board (FASB) added a comprehensive project to its agenda, to reconsider accounting for pensions and other postretirement benefits to improve transparency and usefulness for investors, creditors, employees, retirees and other users of financial information. (Page 7)

US Securities and Exchange Commission

- On 14 December 2005, the US Securities and Exchange Commission (SEC) has revised the annual and quarterly report filing deadlines for many companies and also made it easier for companies to exit accelerated filer status. (Page 7)



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Federation of Accounting Professions - FAP

Federation of Accounting Professions (FAP) – Revision Project

Thai Accounting Standards are based on International Financial Reporting Standards (IFRSs). Since 2005 the Federation of Accounting Professions (FAP) is in the process of revising certain Thai Accounting Standards to conform to the IFRS improvements. The overall purpose of the IASB's Improvements Project was to reduce or eliminate alternative or redundant accounting treatments as well as conflicts within the standards. In 2003, the International Accounting Standards Board released 13 revised International Accounting Standards (IASs) and withdrew another IAS as part of its Improvements project.

The below summary shows the list of existing Thai Accounting Standards being revised to conform to IAS/ IFRSs.

TAS No.	Title	IAS
29	Leases	IAS 17
30	The Effects of Changes in Foreign Exchange Rates	IAS 21
31	Inventories	IAS 2
32	Property, Plant, and Equipment	IAS 16
35	Presentation of Financial Statements	IAS 1
36	Impairment of Assets	IAS 36
38	Earnings per Share	IAS 33
39	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8
44	Consolidated and Separate Financial Statements	IAS 27
45	Investments in Associates	IAS 28
46	Interests in Joint Ventures	IAS 31
47	Related Party Disclosures	IAS 24
48	Financial Instruments: Disclosure and Presentation	IAS 32
51	Intangible Assets	IAS 38
xx	Investment Property	IAS 40
xx	Financial Instruments: Recognition and Measurement	IAS 39

The PricewaterhouseCoopers' booklet 'Impact of improvements, amendments and new standards for continuing users of IFRS' summarises the impact of the recent changes in IFRS that will be relevant to preparers of Thai GAAP financial statements. Hard copies of the booklet are available from your audit teams or please call the PwC Professional Standard Group at 02 344 1000 ext 4491.



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Thai Securities and Exchange Commission - (Thai SEC)

Thai SEC – Accounting for Capital Reduction by offsetting against retained deficit

On 16 November 2005, the Thai Securities and Exchange Commission (Thai SEC) supported by the Federation of Accounting Professions (FAP) issued guidance regarding capital reduction and retained deficits to be adopted by SEC regulated entities under the Securities and Exchange Act B.E. 2535 according to the SEC.Chor.Sor.(Vor) 4/2548.

A company carrying a retained deficit can offset such deficit applying the following methods:

1. If the company has appropriated reserves, such reserves, including the legal reserve can be used to offset the retained deficit.

2. The company can reduce fully paid up share capital to offset the retained deficit. This applies only to common stock. The common stock should be reduced and share premium increased in a first step and any existing share discount should be reduced against the share premium. Then the premium can be offset against the deficit.

For 1. and 2. above, the public company law has to be followed which provides for the exact offsetting sequence. No other reserves such a revaluation reserves or foreign currency exchange reserves cannot be used for offsetting purposes. The above methods follow the capital maintenance concept.

Link: <http://www.sec.or.th>

Thailand – Other

Department of Business Development - Continuing Professional Development Hours

Under the Accounting Act B.E.2543 registered accountants have to collect at least 27 hours in every three year cycle for the purpose of continuing professional development. Either Form Sor.Bor.Chor.7 should be submitted to the Department of Business Development (DBD) or the CPD hours can be reported via internet using the following website: <http://www.dbd.go.th/accdbd>. Accountants should report their CPD hours within 60 days after the end of each year, and the registered accountant must retain

his/her certification for verification purposes for a period of five years.

Registered accountants who attended the “Financial Reporting Update 2005” held by PricewaterhouseCoopers ABAS Ltd on 29 November 2005 can collect the record of six CPD hours in the accounting section. The certificates will be send to the attendees by mail within February 2006.

Link: <http://www.dbd.go.th>



International Financial Reporting Standards – IFRS

New standards from the International Accounting Standards Board will be known as International Financial Reporting Standards (IFRS) and not International Accounting Standards (IAS).

International Financial Reporting Interpretations Committee - Interpretation 7

In November 2005, the International Financial Reporting Interpretations Committee (IFRIC) issued Interpretation IFRIC 7, 'Applying the Restatement Approach under IAS 29, 'Financial Reporting in Hyperinflationary Economies'. The Interpretation clarifies the requirements under IAS 29 relating to two issues that constituents had raised with the IFRIC:

1. how comparative amounts in financial statements should be restated when an entity identifies the existence of hyperinflation in the economy of the currency in which its financial statements are measured (its 'functional currency'); and
2. how deferred tax items in the opening balance sheet should be restated.

Although hyperinflation has become less common in recent years, the IFRIC believed it should respond to queries on how the existing IASB Standard on adjusting for the effects of hyperinflation should be applied. This Interpretation should assist entities in economies now moving into hyperinflation, and entities facing that prospect in the future, by clarifying the information that will be needed to apply the Standard.

International Financial Reporting Interpretations Committee - Interpretation 8

The International Financial Reporting Interpretations Committee (IFRIC) has issued Interpretation IFRIC 8, 'Scope of IFRS 2', in January 2006. The Interpretation clarifies that the accounting standard IFRS 2, 'Share-based Payment' applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that other consideration has been or will be received. IFRS 2 therefore applies. IFRIC 8 is expected to assist preparers where, for public policy or other reasons, companies give their shares or rights to shares to individuals, organisations or groups that have not provided goods or services to the company.

IFRIC 8 confirms that these arrangements fall within the scope of IFRS 2, as directors would not make such arrangements if they did not expect some benefit to accrue to the company.

International Accounting Standards Board (IASB) – Exposure Draft on Segment Reporting

In January 2006 The IASB issued Exposure Draft ED 8 – Operating Segments. ED 8 results from the IASB's comparison of IAS 14, 'Segment Reporting' with the US standard SFAS 131, 'Disclosures about Segments of an Enterprise and Related Information' and mark another step towards convergence between IFRSs and US generally accepted accounting principles (US GAAP). ED 8 would require an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The proposals would therefore require explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. The proposed IFRS would replace IAS 14 and align segment reporting with the requirements of SFAS 131.



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International Financial Reporting Standards – IFRS

New standards from the International Accounting Standards Board will be known as International Financial Reporting Standards (IFRS) and not International Accounting Standards (IAS).

International Accounting Standards Committee Foundation (IASCF) – Publication

In November 2005, the International Accounting Standards Committee (IASC) Foundation has published a user's guide through the official text of the standards on financial instruments issued by the International Accounting Standards Board (IASB). It volume has been produced under the IASC Foundation's education initiative and offers the consolidated and up to date text, with extensive cross references, of IAS 32, IAS 39, IFRS 7 and IFRIC Interpretation 2. The IASC Foundation has prepared this volume for those who need to have a detailed knowledge of reporting and accounting for financial instruments in accordance with International Financial Reporting Standards (IFRSs). The volume also contains an overview of IFRS 1—the standard on first-time adoption of IFRSs—which sets out the exemptions available and exceptions to retrospective application of the standards on financial instruments.

International Accounting Standards Board (IASB) – Exposure Draft on Amendments to IFRS 2, 'Share-Based Payment'

On 2 February, the IASB has issued an Exposure Draft to amend IFRS 2, 'Share-Based Payment'. The amendment clarifies that vesting conditions are service conditions and performance conditions only and other features of a share-based payment are not vesting conditions. The Exposure Draft further clarifies that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity. So far IFRS 2 does not give guidance on the treatment of cancellations by parties other than the entity. The proposed amendments would apply for annual periods beginning on or after 1 January 2007, with earlier application encouraged.

Link: <http://www.iasb.org>

International Accounting Standards Board – statement on 'de facto control'

The IASB issued a statement on de facto control explaining that IAS 27R, as written, includes the concept of de facto control. De facto control describes the situation where an entity owns less than 50 per cent of the voting shares in another entity, but is deemed to have control. De facto control does not arise from potential voting rights, by contract or by other statutory means. The IASB acknowledged that the standard is not clear and that guidance could have been included.



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United States Generally Accepted Accounting Principles – US GAAP

Financial Accounting Standards Board - Adds Comprehensive Project to Reconsider Accounting for Pensions and Other Postretirement Benefits

In November 2005 the Financial Accounting Standards Board (FASB) voted to add a project to its agenda to reconsider guidance in Statement No. 87, Employers' Accounting for Pensions, and Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. The agenda addition reflects the Board's commitment to ensure that its standards address current accounting issues and changing business practices.

The accounting and reporting issues involved touch on many fundamental areas of accounting, including measurement of assets and liabilities, consolidation, and reporting of financial performance. Given these complexities, the Board believes that a comprehensive project conducted in two phases is the most effective way to address these issues. The first phase is expected to be finalized by the end of 2006.

Link: <http://www.fasb.org>

US Securities and Exchange Commission – US SEC

SEC Revises Form 10-K and Form 10-Q Filing Deadlines and Eases Requirements for Exiting Accelerated Filer Status

In November 2005, the US Securities and Exchange Commission revised the annual and quarterly report filing deadlines for many companies. The SEC also made it easier for companies to exit accelerated filer status. The key changes made are:

- The adoption of a newly designated class of issuer referred to as a large accelerated filer.
- The deferral for one year of the 60-day Form 10-K filing deadline for large accelerated filers,
- The permanent implementation of the 75-day Form 10-K filing deadline for accelerated filers that are not large accelerated filers,
- The permanent implementation of the 40-day Form 10-Q filing deadline for both accelerated filers and large accelerated filers and
- The relaxation of the requirements for exiting accelerated filer status by raising the public float exit threshold to \$50 million.

A large accelerated filer is a public company that, as of the end of its fiscal year, has been required to file reports with the SEC for at least 12 months and had a worldwide common equity public float of at least \$700 million on the last business day of its most recently completed second fiscal quarter. These companies represent roughly 95% of the US equity market capitalization.

Link: <http://www.sec.gov>

Quarterly Financial Reporting Update is an accounting alert that is produced by the Professional Standards Group of PricewaterhouseCoopers (PwC) - Thailand to apprise PwC clients and other friends of emerging business and technical issues. Throughout this **Quarterly Financial Reporting Update**, there are references to several websites useful for further research. We also recommend the CFO direct Network's website (<http://www.cfodirect.com>) and the PwC global corporate reporting website (<http://www.pwc.com/ifrs>) for further consultation and information on publications and useful tools, such as 'Comperio IFRS' and 'Applying IFRS' - real life solutions. (<http://www.pwc.com/applyingifrs>) Information on PwC Thailand can be found at (<http://www.pwc.com/th>).

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