



Quarterly Financial Reporting Update

**Issue 8
October 2005**

Summary of Key Developments

Thai Securities and Exchange Commission – Thai SEC

- On 18 May 2005, the Thai Securities and Exchange Commission (Thai SEC) together with the Federation of Accounting Professions (FAP) issued guidance on revenue recognition related to the acquisition of property under construction. (Page 2)
- The Thai SEC has published in its annual report including the strategic objectives for the years 2005-2007. (Page 2)

International Financial Reporting Standards - IFRS (formerly International Accounting Standards - IAS)

- On 18 August 2005, the International Accounting Standards Board (IASB) issued IFRS 7, 'Financial Instruments: Disclosures', introducing new requirements to improve the information on financial instruments presented in financial statements. The IASB also issued a consequential amendment to IAS 1, 'Presentation of Financial Statements'. (Page 2)
- The International Financial Reporting Interpretations Committee (IFRIC) has issued IFRIC 6, 'Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic News' in September 2005. (Page 3)
- The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) each published for public comment an Exposure Draft in July 2005, containing joint proposals to improve and align the accounting for business combinations. (Page 3)
- The IASB has withdrawn IFRIC 3 on Emission Rights due to the markets for emission rights necessary for the proper functioning of the EU Scheme at present being thin. (Page 3)
- The IASB has in June 2005 published proposed amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' (to be retitled 'Non-financial Liabilities') and complementary limited amendments to IAS 19, 'Employee Benefits'. (Page 3)
- In August 2005, the IASB issued amended requirements for financial guarantee contracts, in the form of limited amendments to IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 4, 'Insurance Contracts'. (Page 4)

US Securities and Exchange Commission – US SEC

- In September 2005 the US SEC has further extended the date by which non-accelerated filers must comply with the requirements of Sarbanes Oxley Section 404, and proposed for public comment rules intended to modify the definition of an accelerated filer. (Page 4)



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Thai Securities and Exchange Commission - (Thai SEC)

Thai SEC - Accounting Guidance for the revenue recognition - real estate business

On 18 May 2005, the Thai Securities and Exchange Commission (SEC) together with the Federation of Accounting Professions (FAP) issued SEC letter Chor.Sor.(Wor) 3/2548, providing guidance for all listed companies on revenue recognition related to the acquisition of property under construction. If a listed company acquires property under construction for further development, revenue recognition should be in accordance with the percentage of completion method after the company has performed 10 percent of the remaining construction regardless of the work done by the previous owner. This requirement ensures that no revenue is recognised before the buyer has shown the capability to complete the project. This guidance should be applied retrospectively.

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

Thai SEC - Objectives for 2005-2007

The Thai SEC has published in its annual report the strategic objectives for the years 2005-2007. Those include the facilitation of the access to the Thai capital market with quality products, the promotion of reliable market mechanisms and the maintenance of competitiveness and high professional standards of the Thai capital market. To achieve those objectives, the SEC plans to focus on

1. increasing good corporate governance of listed companies by working closely with the Federation of Accounting Professions (FAP) regarding both Accounting and Auditing Standards,
2. applying the regulatory standards of the International Organisation of Securities Commissions (IOSCO), and
3. improving certain laws affecting the capital market to protect investors and enhance the efficiency of the capital market.

Link: <http://www.sec.or.th/th/misc/sec/achieve/annual/ann2547.pdf>

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).

IFRS 7 - Financial Instruments: Disclosures

On 18 August 2005, the IASB issued IFRS 7 Financial Instruments: Disclosures. It introduces new requirements to improve the information on financial instruments that is given in entities' financial statements, and replaces IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and some of the requirements in IAS 32 Financial Instruments: Disclosure and Presentation. IFRS 7 requires disclosure of:

- (a) the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements previously in IAS 32 and
- (b) qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing

those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create. IFRS 7 is effective for annual periods beginning on or after 1 January 2007. Earlier application is encouraged.

IAS 1 Amendment - Presentation of Financial Statements: Capital Disclosures

The IASB has issued an Amendment to IAS 1 to complement the release of IFRS 7 Financial Instruments: Disclosures. The Amendment to IAS 1 introduces requirements for disclosures about an entity's capital. The Amendment shall be applied for annual periods beginning on or after 1 January 2007. Earlier application is encouraged.



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International Financial Reporting Standards – IFRS

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International Financial Reporting Interpretations Committee - Interpretation 6

The International Financial Reporting Interpretations Committee (IFRIC) has issued IFRIC 6, giving guidance on the accounting for liabilities for waste management costs and clarifying when certain producers of electrical goods will need to recognise a liability for the cost of waste management relating to the decommissioning of waste electrical and electronic equipment supplied to private households. The Interpretation is effective for financial periods beginning on or after 1 December 2005. Earlier application is encouraged.

Exposure Draft of Proposed Amendments to IFRS 3 Business Combinations and Basis for Conclusions

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) each published for public comment an Exposure Draft in July 2005, containing joint proposals to improve and align the accounting for business combinations. The proposals include a draft standard that the boards have developed in their first major joint project. The objective of the project is to develop a single high quality standard for accounting for business combinations that could be used for both domestic and cross-border financial reporting. The proposed standard would replace the existing requirements of the IASB's IFRS 3 Business Combinations and the FASB's Statement 141 Business Combinations. Among other changes, the Exposure Draft includes an amended definition of what constitutes a 'business' and new guidance on contingent consideration and costs incurred in connection with a business combination. The Draft further suggests that in a business combination that is an exchange of equal values, the acquirer should measure and recognise 100 per cent of the fair value of the acquiree as of the acquisition date. This would apply even in business combinations in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at that date. In those business combinations, the acquirer would measure and recognise the non-controlling interest as the sum of the non-controlling interest's proportional interest in the acquisition-date values of the identifiable assets acquired and liabilities assumed plus the goodwill attributable to the non-controlling interest. The Exposure Draft is issued for comment until 28 October

Withdrawal of IFRIC Interpretation on Emission Rights

IFRIC 3 was developed by the IASB's International Financial Reporting Interpretations Committee (IFRIC) to explain how to apply existing International Financial Reporting Standards (IFRSs) to 'cap and trade' emission rights schemes. It was finalised in December 2004 to be ready for the launch of the European Union Emissions Trading Scheme in January 2005 but commentators have indicated that the markets for emission rights necessary for the proper functioning of the EU Scheme, although developing rapidly, are at present thin. In addition, some European governments have yet to issue emission rights to companies. The IASB has therefore concluded that it is questionable whether there is as urgent a need for an Interpretation as originally concluded by the IFRIC in 2004 and has decided at its meeting in June to withdraw the Interpretation with immediate effect.

Exposure Draft - Amendments to IAS 37 and IAS 19

The IASB has in June 2005 published for comment proposed amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' (to be retitled 'Non-financial Liabilities') and complementary limited amendments to IAS 19, 'Employee Benefits'. The amendments to IAS 37 would require entities to recognise in their financial statements obligations that satisfy the definition of a liability in the IASB's Framework, unless they cannot be measured reliably. Uncertainty about the amount or timing of the economic benefits that will be required to settle a liability would be reflected in the measurement of that liability instead of affecting whether it is recognised. This change would enhance financial reporting because some liabilities previously only disclosed in the notes to the financial statements will now be included in the balance sheet. These proposed amendments to IAS 37 complement the Exposure Draft of Proposed Amendments to IFRS 3, 'Business Combinations', and would result in items previously described as 'contingent liabilities' being treated more consistently in and outside a business combination. The IASB invites comments on the Exposure Draft by 28 October 2005.

2005. The Board also issued proposed consequential amendments to IAS 27.



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IAS 39 and IFRS 4 Amendments - Financial Guarantee Contracts

In August 2005, the International Accounting Standards Board (IASB) issued amended requirements for financial guarantee contracts, in the form of limited amendments to IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 4, 'Insurance Contracts'. The amendments are intended to ensure that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet. The amendments define a financial guarantee contract as

a 'contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument'. These contracts could have various legal forms, including a guarantee, some types of letter of credit, or a credit insurance contract. Issuers must apply the amendments for annual periods beginning on or after

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

US Securities and Exchange Commission – US SEC

SEC Delays Sarbanes-Oxley Section 404 for Non-Accelerated Filers

In September 2005, the Securities and Exchange Commission (SEC) further extended the date by which non-accelerated filers must comply with the requirements of Sarbanes Oxley Section 404. The new compliance date for non-accelerated filers is for fiscal years ending on or after July 15, 2007. The SEC did not extend the initial compliance date separately for foreign private issuers (FPIs). Accordingly, FPIs that file their annual reports on Form 20-F or Form 40-F that meet the definition of an accelerated filer must comply with the requirements of Section 404 for fiscal years ending on or after July 15, 2006. Although accelerated filer status does not impact the due date of Form 20-F or Form 40-F, the SEC's definition of an accelerated filer does not distinguish between foreign and domestic issuers.


Proposes Changes to the Definition of an Accelerated Filer and the Deadlines for Filing Form 10-K and Form 10-Q

The SEC also proposed for public comment rules intended to modify the definition of an accelerated filer by designating a subset of accelerated filers as "large accelerated filers" and by easing the restrictions on an issuer's ability to exit from accelerated filer status. In connection with the proposed changes to the definition of an accelerated filer, the SEC also proposed changes to the filing deadlines for Form 10-K and Form 10-Q. Under the proposed rules, issuers that meet the existing definition of an accelerated filer and that also have a worldwide public float of at least \$700 million would be considered "large accelerated filers." The minimum public float threshold for accelerated filers that are not large accelerated filers remains at \$75 million. Under the proposed rules, accelerated filers whose public float falls below \$25 million will be permitted to exit accelerated filer status. Under the existing rules, once an issuer becomes an accelerated filer it remains an accelerated filer unless it becomes eligible to use small business issuer forms (Form 10-KSB and Form 10-QSB).

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

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