


# Financial Report Update

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## Editors

*Nangnoi Charoenthaveesub, Partner*  
*Sukhumaporn Wong-ariyaporn, Director*  
*Wandee Leevorawat, Senior Manager*  
*Pongthavee Ratanakoses, Senior Manager*  
*Wittaya Ekwirunphon, Manager*

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## In this issue

### Federation of Accounting Professions – FAP

- During August 2007 to present, there have two new FAP notifications regarding the revised Thai Accounting Standards and the new Thai Accounting Standards which become effective under the Accounting Professions Act B.E.2547. [Page 3](#)
- FAP announced the Notification regarding the additional non-mandatory accounting standard for a non-public company. [Page 4](#)

### United States Generally Accepted Accounting Principles – US GAAP

- On 4 December 2007, the Financial Accounting Standards Board issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (FAS 160 or the "Standard"), and FASB Statement No. 141(R), *Business Combinations* (FAS 141(R)). [Page 4](#)
- The Financial Accounting Standards Board (FASB) authorized its staff to draft a proposed FASB Staff Position (FSP) that would partially defer the effective date of FASB Statement No. 157, *Fair Value Measurements* (FAS 157). [Page 4](#)

### International Financial Reporting Standards – IFRS

- The IFRIC published IFRIC 12 - Service Concession Arrangements addresses the accounting by private sector operators in public-to-private service concession arrangements. [Page 4](#)
- The IASB has published its first Annual Improvements exposure draft. The annual improvements process is designed to provide a timely and efficient way of making amendments to IFRSs. The process is intended to address inconsistencies within or between standards and areas where the standards are unclear. [Page 5](#)

### Department of Business Development – DBD

- On 11 May 2008, eight years after the published of Accounting Act B.E.2543, is the end of the grace period for accountants to prepare themselves to qualify as accountant according to Section 7 (6) of the Act. [Page 5](#)
- Reminder note for the timeline for Annual General Shareholder Meeting (AGM) and Statutory Financial Statements submission. The AGM should be arranged within four months after the end of the accounting period. This is a requirement of the Civil and Commercial Code and Public Company Act B.E.2535. The statutory financial statements must be filed with the Department of Business Development within one month after the shareholder's approval date. [Page 5](#)
- Three business laws which are under the governing of Department of Business Development are changed. The key changes are summarised for your information. [Page 5](#)

## Thai Securities and Exchange Commission – Thai SEC

- On 20 December 2007, the National Legislative Assembly, Thailand passed the draft of the Securities and Exchange Act. The changes are mainly to promote the good corporate governance of the listed companies. This Act is published in the Government Gazette on 4 March 2008. [Page 6](#)
- On 28 January 2008, Thai SEC announced the SEC Notification No. KorJor.1/2551 for the disclosure guidance on the company's financial statements where the sum of purchase and sale volume of the listed securities in the period falls to the condition prescribed. [Page 6](#)

## FRU 2007 - Follow up questions

- From our last annual conference, Financial Reporting Update 2007, at Shangri La Hotel on 1 – 2 November 2007, PwC would like to take this opportunity to thank you for your interest and looking forward to see you again in coming up next on the Seventh Financial Reporting Update 2008. In this issue, PwC has summarised the pending questions which were not answered in the event. Please turn to page 6 for this information.

## Thai Federation of Accounting Professions (Thai FAP)

### Thai FAP - The additional revised Thai Accounting Standards and a new Thai Accounting Standard

On 7 December 2007 and 21 September 2007, the Federation of Accounting Professions (FAP) published FAP Notification No.62 /2550 and 38/2550 re: Revised Thai Accounting Standards.

The following are the additional revised Thai Accounting Standards (TAS) and a new Thai Accounting Standard which will be effective for the financial statements that the accounting period beginning on or after 1 January 2008 onward, (early adoption is allowed):

#### *Revised Thai Accounting Standard*

- TAS 29: Leases
- TAS 31: Inventories
- TAS 35: Presentation of Financial Statements
- TAS 39: Accounting Policies, Changes in Accounting Estimates and Errors
- TAS 41: Interim Financial Reporting
- TAS 43: Business Combinations

#### *New Thai Accounting Standard*

- TAS 51 : Intangible Assets

The key changes to the above revised TAS are as follows:

#### TAS 29 Leases

- Cancel TAS 7 Hire Purchase and give guidance for recording hire purchase contract (for lessee and lessor).
- Leases of land and buildings split into land component and buildings component.
- Leases of land treated as operating leases unless title passes to lessee.
- Lessor's initial direct costs on finance lease are part of finance lease receivables.
- Initial direct costs only expensed in case of manufacturer/dealer lessor.

#### TAS 31 Inventories

- Measurement requirements not applied to agricultural produce and mineral/mineral products.
- Difference between net realisable value and fair value less costs to sell clarified.
- Difference between cost of inventory acquired under deferred purchase and normal purchase price is interest expense.
- LIFO method is prohibited.

- Disclosure of Inventories value which included in cost of sales is required.
- Disclosure of Inventories held at net realisable value eliminated.
- Any write-down of inventories included as an expense in the period is required for disclosure.

#### TAS 35 Presentation of Financial Statements

- Definition of impracticable is introduced and definition of material is included.
- Comparative information disclosure is required except TAS permitted.
- Significant judgements to be made in applying accounting policies and key assumptions or uncertainties affecting their estimates are required for disclosure.
- Disclosure of number of employees no longer required.
- Assets and liabilities under IAS 40, IAS 41, and IFRS 5 recognised separately on balance sheet.
- Deferred tax is not included under current assets/liabilities on balance sheet.
- Reclassification of comparatives figure are required unless impracticable.

#### TAS 39 Accounting Policies, Changes in Accounting Estimates and Errors

- Definitions given in TAS 39 for materiality, impracticable, and change in an accounting estimate.
- An accounting policy need not be applied when the effect of applying it is immaterial.
- Concept of fundamental error eliminated
- Start using revaluation (TAS 32 and TAS 51) are not treated as changes in accounting policy.
- Disclosure of impact of new standard or interpretation is required.
- More detailed disclosures of effect of changes to policies and errors (effect on each line item and on basic and diluted EPS).

#### TAS 41 Interim Financial Reporting

No significant change.

#### TAS 43 Business Combinations

- Remove pooling of interest method.
- Clarification that accounting treatment for reverse acquisitions to follow substance of arrangement rather than legal form.
- Clarifying guidance for recognition of intangible assets.
- Recognition of contingent liability if reliably measured.

- Measurement of assets and liabilities at fair value (both minority interest and purchaser's portion).
- No amortisation of goodwill but test impairment annually.
- Negative goodwill recognised immediately in profit and loss.
- Transitional
  - Goodwill Prospective
  - Negative goodwill brought-forward adjust to retained earning
  - Intangible assets which do not meet a definition of intangible assets classified to be goodwill.

#### TAS 51 Intangible Assets

TAS 51 is a new Thai Accounting Standard which is translated from IAS 38. Preparers need to ensure that they comply with this standard effective from 1 January 2008.

#### **Thai FAP- Non mandatory accounting standard for a non-public Company**

Referring to FAP notification number 21/2550 dated 20 July 2007, TAS 46, Interest in Joint Ventures is added as a non mandatory accounting standard for non-public companies. Therefore, a total of eight TASs are not mandatory for adoption by a non-public company.

#### **United States Generally Accepted Accounting Principles - US GAAP**

#### **US GAAP - FAS 160, Non-controlling interests in consolidated financial statements**

On 4 December 2007, the Financial Accounting Standards Board issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (FAS 160 or the "Standard"), and FASB Statement No. 141(R), *Business Combinations* (FAS 141(R)). FAS 160 and FAS 141(R) introduce significant changes in the accounting and reporting for business acquisitions and noncontrolling interest ("NCI") in a subsidiary. FAS 160 also changes the accounting for and reporting for the deconsolidation of a subsidiary. Most organizations will be impacted by the major changes in accounting for the NCI and the accounting for deconsolidation of a subsidiary.

#### **US GAAP - FASB Agrees to Propose Deferral of the Effective Date of FAS 157 for Nonfinancial Assets and Nonfinancial Liabilities**

The Financial Accounting Standards Board (FASB) authorized its staff to draft a proposed FASB Staff Position (FSP) that would partially defer the effective date of FASB Statement No. 157, *Fair Value Measurements* (FAS 157), for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The proposed FSP will not defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually.

#### **International Financial Reporting Standard IFRS**

#### **IFRS - The IFRIC published IFRIC 12 Service Concession Arrangements**

IFRIC 12 addresses the accounting by private sector operators in public-to-private service concession arrangements. It is effective for periods beginning on or after 1 January 2008.

IFRIC 12 introduces significant changes to ways in which many operators currently account for service concession arrangements. The Interpretation requires that infrastructure constructed or upgraded as part of a service concession arrangement is accounted for as either a financial asset or an intangible asset. An operator recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor. An operator recognises an intangible asset to the extent that it receives a right (a licence) to charge users of the public service.

#### **IFRS - The proposed amendments in the IASB's 'Improvements' project**

The IASB published its first annual 'Improvements' exposure draft in October 2007. The project aims to provide an efficient process for addressing a number of minor, yet essential, changes to existing standards.

The exposure draft proposed 41 amendments affecting 25 standards - illustrating the far-reaching scope of the project. The amendments proposed varied from a substantive change to the definition of a derivative, to

minor amendments to provide consistency of terminology used in the standards.

One of the most notable of these relates to IAS 1, Presentation of financial statements. A proposed amendment to this standard introduces the requirement to make additional disclosure where an entity is unable to make an explicit and unreserved statement of compliance with IFRS.

A further amendment is the proposed change in the definition of a derivative under IAS 39. The definition of a derivative currently excludes contracts whose values change in response to a non-financial variable and that variable is specific to a party to the contract. The amendment proposes to remove the exclusion with respect to non-financial variables, resulting in these contracts being classified as derivatives with measurement at fair value.

Four additional amendments appear as if they might have a similar significant impact if they were implemented as drafted. These are: the change to IFRS 5 involving classification of a subsidiary's assets and liabilities when a sale plan with a loss of control is in place; the amendment to IAS 16 (and consequentially to IAS 7) with respect to assets held for rental; the change to IAS 19 in respect of entitlement to benefits and the amendment to IAS 38 with regard to costs of advertising and promotional expenditure.

### Department of Business Development DBD

#### **DBD - End of grace period for accountant who is not qualified under Section 7(6) of the Accounting Act B.E.2543.**

The accountant who is not qualified to be the registered accountant under the Section 7(6) of the Accounting Act B.E.2543 but already complete the training attendance and the test according to condition under Section 42 clause 2 of the Act are allowed to be the accountant for 8 years after the effective date.

The Act was published in the Government Gazette on 12 May 2000; therefore, they can work as an accountant until 11 May 2008. The Act allows for transitional period so that they can develop their qualification according to the condition which specified in the Notification of DBD regarding the qualification and condition of the registered accountant.

*Link: <http://www.dbd.go.th/thai/law/prb2543.pdf>*

#### **DBD - Reminder note for timeline for Annual General Shareholder Meeting (AGM) and Statutory Financial Statements submission.**

A Company Limited or Public Company Limited has the duty to arrange the Annual General Shareholder Meeting within four months after the end of the accounting period. This is according to Section 98 of Public Company Act B.E.2535 and Section 1197 of the Civil and Commercial Code. An agenda in the AGM is the shareholder's approval for their financial statements which are audited by the appointed auditor of the company. Following the shareholders' approval of the audited statutory financial statement, it must be filed to DBD within one month after the approval date.

Failure to hold the AGM and submission of the financial statements will lead to the company and the directors being fined.

The Thai SEC has an AGM assessment project which is a part of the Corporate Governance (CG) program. The objective of the program is to support the promotion of good governance which is within the national agenda. The National Corporate Governance Committee takes responsibility to instigate policies to encourage all organizations to promote good corporate governance. You can view the 2008 check list for the assessment at [http://www.sec.or.th/document\\_download/CG/AGM/th/AGM\\_Checklist\\_51TH.doc](http://www.sec.or.th/document_download/CG/AGM/th/AGM_Checklist_51TH.doc).  
*Link: [http://www.dbd.go.th/fristP/explanation\\_account.phtml](http://www.dbd.go.th/fristP/explanation_account.phtml)*

#### **DBD – Three business laws which are governed by DBD are changed.**

On 20 December 2007, the National Legislative Assembly, Thailand passed the amendment of three laws, the Civil and Commercial Code, the Public Company Act B.E.2535 and the Act prescribing offense pertaining to registered partnerships, limited companies, associations and foundations (B.E.2499). The laws are published in the Government Gazette on the following date:

- Public Company Act B.E.2535 - 5 February 2008
- Act prescribing offense pertaining to registered partnerships, limited companies, associations and foundations (B.E.2499) - 1 March 2008
- Civil and Commercial Code - 3 March 2008

The key message for the amendment can be summarised as follows.

- A limited partnership can be converted to be a Company Limited.
- The minimum number of promoters of the company limited is reduced from seven persons to at least three persons.

- The dividend distribution must be informed to shareholders via a letter and should be announced in a local newspaper.
- Authorisation is given to the Director General of the Department of Business Development to fine in cases of non-compliance.

### Thai Securities and Exchange Commission Thai SEC

#### Thai SEC – The revised of Securities and Exchange Act to enhance the good corporate governance.

On 20 December 2007, the National Legislative Assembly, Thailand passed the amendment to the Securities and Exchange Act to promote the good corporate governance of the listed companies.

The key of changes are as follows:

- Establishment of a new government body to act as regulator (คณะกรรมการกำกับตลาดทุน)
- An increase in the accountability of directors based on the fiduciary duties concept.
- An increase in the responsibility of a company's auditor in respect of reporting suspicious circumstances to the company's audit committee.

The Act is published in the Government Gazette on 4 March 2008 and it becomes effective in the following day except some part will become effective on 31 August 2008.

Link:[http://www.sec.or.th/laws\\_notification/file\\_dw\\_th/draft\\_sec\\_act\\_final\\_th.pdf](http://www.sec.or.th/laws_notification/file_dw_th/draft_sec_act_final_th.pdf)

#### Thai SEC - Thai SEC ordered companies which issue securities to disclose more information in their financial statements.

On 28 January 2008, the Thai SEC published Thai SEC Notification No. KorJor.1/2551 to amend the Thai SEC Notification No. KorJor.40/2540 regarding the disclosure guidance of companies which issue securities.

Where the company has the total sum of the trading volume in the registered equity securities or debts securities more than twice of the outstanding balance of the investment in the registered securities **and** more than five percent of the total asset of the company at the end of the accounting period, the company should disclose the information in the notes to the financial statements for the transactions occurring during the period. This is effective for financial statements submitted to the Thai SEC in 2008 onwards.

Link:<http://capital.sec.or.th/webapp/nrs/data/4326p.doc>

### FRU 2007 Follow up questions

Following are the summaries of certain questions from our annual event: Financial Reporting Update 2007 at Shangri La Hotel on 1-2 November 2007.

Q1.Can a company chooses not to disclose all required information as indicated in the IFRS in case it has selected to apply certain IFRS ?

*A1. The company needs to comply with the selected IFRS in full and can not choose to apply only some part of the standard.*

Q2. How does the company record a transaction for which its parent company has a scheme for giving stock or stock options to the company's employee?

*A2. Referred to IFRS 11 paragraph 8 and 11.*

#### **Case 1 A parent grants rights to its equity instruments to the employees of its subsidiary**

*Provided that the share-based arrangement is accounted for as equity-settled in the consolidated financial statements of the parent, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognised in equity as a contribution from the parent.*

#### **Case 2 A subsidiary grants rights to equity instruments of its parent to its employees**

*The subsidiary shall account for the transaction with its employees as cash-settlement. This requirement applies irrespective of how the subsidiary obtains the equity instruments to satisfy its obligations to its employees.*

Q3. Does the revised TAS 43 not include the pooling of interest method? Which accounting method should the company apply when the company combines a business under common control?

*A3. Yes, revised TAS 43 does not allow for the pooling of interest method; however this standard does not cover business combinations involving entities under common control .There is currently no guidance on recording business combinations involving entities under common control. However, the Thai SEC appears to prefer the predecessor value method which is the same concept as pooling of interest for recording the transaction of business combination involving entities under common control.*

Q4. How should the company deal with fully depreciated assets which are still in use?

*A4. An analysis should be performed whether the depreciation rates in the past are appropriate. The accounting treatment will depend on the result of this review.*

Q5. The company leased a building from a third party. It has not estimated the costs of dismantling and removing the item and restoring the site on which it is located; in addition the company has no policy to hire a specialist to estimate the cost of dismantling and removing the item

and restoring the site. What should the company do for this case?

*A5. The standard does not require a specialist to estimate the costs of dismantling and removing the item and restoring the site. The company can estimate this itself; however, the standard requires the company to disclose the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.*

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