

**Issue 10  
September 2006*****Summary of Key Developments (period from April 2006 to September 2006)*****Thai Federation of Accounting Professions – Thai FAP**

- Thai FAP is in the process of revision of Thai Accounting Standards to be the equivalent of current IFRS. (Page 2)
- Thai FAP has issued guidance on the preparation of financial statements in case of no available Thai Accounting Standards. (Page 2)
- Revisions of the three Thai accounting standards proposed by FAP were endorsed by KOR KOR BOR on 26 September 2006. (Page 2)

**Thai Securities and Exchange Commission – Thai SEC**

- Thai SEC together with Thai FAP issued accounting guidance on the transaction of capital reduction. (Page 3)

**International Financial Reporting Standards - IFRS**

- IASB has issued proposed amendments to IAS 23 "Borrowing Costs". (Page 3)
- IFRIC has issued IFRIC 10 "Interim Financial Reporting and Impairment" addresses the apparent conflict between IAS 34 "Interim Financial Reporting" and IAS 36 "Impairment of Assets". (Page 4)
- IASB has issued the latest exposure draft (ED) of IFRS for small and medium-sized entities. (Page 4)

**Annual conference - Financial Reporting Update 2006 on 28 November**

- Following the success of last year's PwC Financial Reporting Updated (FRU) , which attracted over 400 attendees, PricewaterhouseCoopers will organise the Fifth Financial Reporting Update 2006, to be held on 28 November 2006 at Shangri-La Hotel. The conference has been designed to provide the insight developments of Thai GAAP and IFRS and to offer practical and in-depth guidance on Thai GAAP and IFRS applications. Please reserve the date in your diary to join us. Speakers are experienced partners and directors of PwC, and all presentations are in Thai language.



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### **Thai Federation of Accounting Professions - (Thai FAP)**

#### **Thai FAP –Revisions of Thai Accounting Standards to be the equivalent of current IFRS**

Thai FAP has completed the process of public hearing for revision of the three TAS, being TAS 29 “Accounting for Leases”, TAS 35 “Presentation of Financial Statements”, and TAS 40 “Accounting for Investments in Debt and Equity Securities”.

Thai FAP has issued the draft TAS 55 “Accounting for Government Grants and Disclosure of Government Assistants” and TAS 57 “Accounting for Agriculture” including the Thai Accounting Framework. These are currently under the process of public hearing (September 2006).

There is good news for many preparers of financial statements who have difficulty with accounting for financial derivatives. Thai FAP has issued draft guidance on derivatives and embedded derivatives. The draft is equivalent to IAS 39 except the transitional allowance for accrued accounting for derivatives.

Overall development of FAP revisions of all existing Thai TAS will be made to be the equivalent of IFRS, and this is currently in progress. Preparers who want further information of the revisions, please contact us or the audit teams.

[Link: http://www.fap.or.th/mission/mission.php?id=2&type=010&link=2](http://www.fap.or.th/mission/mission.php?id=2&type=010&link=2)

#### **Thai FAP – the guidance issued by FAP on the preparation of the financial statements in case of no available Thai Accounting Standards**

Under the Accounting Act B.E.2543, the preparation of financial statements must be in compliance with Thai Accounting Standards. The definition of Thai Accounting Standards (TAS) means accounting principles and procedures that are Thai Generally Accepted Accounting Principles (Thai GAAP) and other accounting principles issued under Thailand governing law.

Current Thai GAAP do not include accounting standards on certain topics, such as income tax and employee benefits. Therefore, Thai FAP issued notification No.8/2549 dated 20 June 2006 to encourage entities and professional accountants to refer to Thai guidance, IFRS and US GAAP in case of no equivalent TAS. Disclosures are required in respect of the source of GAAP applied.

[Link: http://www.fap.or.th/laws/detail.php?id=352&type=034](http://www.fap.or.th/laws/detail.php?id=352&type=034)

#### **Thai FAP – the revision of three Thai accounting standards were endorsed by KOR KOR BOR**

Revisions of the three Thai accounting standards proposed by FAP were endorsed by KOR KOR BOR on 26 September 2006. This has yet to be announced by the Royal Thai Government.

- 1) Revision of TAS 27 (revised 2549) “Disclosures in the Financial Statements of Financial Institutions”
- 2) Revision of paragraph 38 of TAS 32 “Property, Plant and Equipment”. Preparers who have applied revaluation accounting for property, plant and equipment are allowed to comply with IAS or to continue to charge depreciation on the revalued amount to revaluation surplus and not to the statement of income.
- 3) Revision of paragraph 27 of TAS 44 “Consolidated Financial Statements and Accounting for Investment in Subsidiaries”. When separate financial statements are prepared, investments in subsidiaries, jointly controlled entities and associates that are not classified as “held for sale” shall be accounted for either: a) at cost, or b) in accordance with Financial Instruments: Recognition and Measurement when it has been announced. The company can apply retrospective or prospective adjustments.

[Link: http://www.fap.or.th/info/detail.php?sid=418&type=030](http://www.fap.or.th/info/detail.php?sid=418&type=030)



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### **Thai Securities and Exchange Commission - (Thai SEC)**

#### **Thai SEC – Accounting guidance on the transaction of capital reduction**

Thai SEC and Thai FAP issued SEC letter Chor.Sor. (Wor) 3/2549 dated 8 February 2006 providing accounting guidance on capital reduction transactions.

Listed companies are required to follow such accounting guidance to account for capital reduction by first offsetting capital with share discount, and this guidance shall be applied retrospectively. However, the FAP has relaxed the retrospective requirement as follows:

1. remaining share discount shall be eliminated when next capital deduction occurs;
2. The company's retained earnings after dividend distribution must be at least equal to the existing share discount. Listed companies shall disclose the period in which share discount will be eliminated.
3. the audit report should include the emphasis of matters paragraph in respect of the matters as referred to in 1) and 2).

[Link: http://www.sec.or.th/th/infocenter/accountant/sab1-2549%20\(I\).pdf](http://www.sec.or.th/th/infocenter/accountant/sab1-2549%20(I).pdf)

### **International Financial Reporting Standards – IFRS**

#### **Proposed Amendments to IAS 23 Borrowing Costs**

The IASB has published an exposure draft of proposed amendments to IAS 23 Borrowing Costs, for public comment on 25 May 2006. The exposure draft is the result of the IASB's comparison of IAS 23 with the US standard SFAS 34 Capitalization of Interest Cost. The proposed amendments would remove a major difference between the accounting treatments for borrowing costs under the two standards.

The ED proposes to eliminate a major difference between IFRS and US GAAP on capitalisation of interest expense. The ED will require borrowing costs to be capitalised as part of the asset's cost. All interest and related costs that an entity incurs attributable to the acquisition, construction or production should be capitalised.

IAS 23 currently gives management a choice of how to account for borrowing costs that are attributable to qualifying assets. These borrowing costs are recorded as an expense when incurred under the benchmark treatment. The allowed alternative treatment permits capitalising borrowing costs to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalised borrowing costs are included in the cost of that asset.

The proposed amendment is likely to be effective from 1 January 2008.



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### **International Financial Reporting Standards – IFRS**

#### **IFRIC 10 - Interim Financial Reporting and Impairments**

On 20 July 2006, IFRIC issued an Interpretation—IFRIC 10 Interim Financial Reporting and Impairment. The Interpretation addresses the apparent conflict between the requirements of IAS 34 Interim Financial Reporting and those in other standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets.

#### **Exposure Draft of developing of International Financial Reporting Standard for SMEs.**

The IASB has posted on its website (4 August 2006) the latest draft of an Exposure Draft (ED) prepared by staff for the IASB's project to develop an International Financial Reporting Standard for Small and Medium-sized Entities (SMEs). Please note that this project is ongoing, and the draft posted is a work in progress, not a finished product. Further changes, some of which could be substantial, will be made to this draft before the IASB publishes it for public comment. The IASB has discussed earlier drafts of this ED at public meetings, and this draft reflects the cumulative, tentative decisions made by the conclusion of its meeting in July 2006. The IASB has not approved this draft. The draft is being made publicly available purely for information—to give interested parties an update on the project. The IASB does not request comments on this draft, and the staff will not be in a position to consider or respond to any comments. The IASB expects to publish an ED for public comment later this year.

**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>). PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) is the world's largest professional services organization. Drawing on the knowledge and skills of more than 125,000 people in 142 countries, we build relationships by providing services based on quality and integrity @2005 PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. All rights reserved.

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