The Institute of Chartered Accountants of Pakistan

CA PAKISTAN

ACCOUNTING STANDARDS BOARD

Accounting Frameworks in Pakistan

Contents

Development of Accounting Framework

IASB

Responsible for the development of international accounting standards (IFRS and IFRS for SMEs)

ICAP

Authority for:

- Recommending SECP for the notification of accounting standards issued by IASB
- Development of accounting standards for Small-sized companies and Not for Profit Organizations
- Development of Islamic Financial Accounting Standards (IFAS)
- Issuance of Technical Releases (TRs) and other accounting and reporting opinions/ guidance

SECP

Authority for the:

- Notification of the accounting standards
- Setting / Scoping the financial reporting framework for the companies

Accounting Frameworks

- IFRS issued by the IASB and notified by SECP
- IFRS for SMEs issued by the IASB and notified by SECP
- AFRS for SSEs issued by ICAP and notified by SECP
- Accounting Standard for NPOs issued by ICAP and notified by SECP

Classes of Companies

- Listed company
- Public Interest Company
- Large sized company
- Medium sized company
- Small sized company
- Other company

- Section 42/43 licensed large company
- Section 42/43 licensed small and medium sized company

Applicable Framework

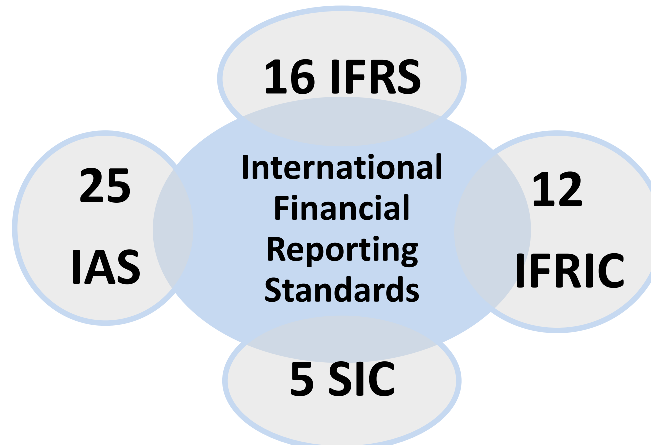
IFRS notified by SECP	Listed Public interest Large sized Other (Foreign company)
IFRS for SMEs notified by SECP	Medium sized
AFRS for SSEs	Small sized
IFRS as adopted by SECP & Accounting Standard for NPOs	Section 42/43 licensed Large sized
IFRS for SMEs & Accounting Standard for NPOs	Section 42/43 licensed Medium and Small sized

International Landscape

93%

(140 of 150 jurisdictions)

have public commitment supporting IFRS as the single set of global accounting standards



126 jurisdictions

require IFRS for all or most domestic publicly accountable entities (listed companies and financial institutions)

90% of the 126 jurisdictions require or permit IFRS for many unlisted companies

IFRS Status of 150 jurisdictions	No. of jurisdictions	As % of 150
Require IFRS for all or most domestic publicly accountable entities	**126**	**84%**
Permit or require IFRS for at least some (but not all or most) domestic publicly accountable entities	**13**	**9%**
Neither require nor permit IFRS for any domestic publicly accountable entities	**11**	**7%**

International Landscape

- **IFRS for SMEs** issued by IASB in **July 2009**
- Initial comprehensive review of the IFRS for SMEs and amendments made in 2015
- Key features of IFRS for SMEs
  - 35 Sections, 230 pages
  - Simplified IFRSs, but built on an IFRS foundation
  - Completely stand-alone
  - Designed specifically for SMEs
  - Internationally recognised

57%

(85 of 150 jurisdictions)

require or permit the IFRS for SMEs

Further,

11 jurisdictions

currently considering IFRS for SMEs

Adoption Status - IFRS

- Adopted word-for-word IFRS issued by IASB (11 IFRS, 25 IAS, 12 IFRIC, 5 SIC)
- Few exceptions / modifications (2 IFRS, 2 IFRIC, Sector specific exemptions)

IFRS
issued and effective, however, not adopted

- **IFRS1**
  First-time Adoption of International Financial Reporting Standards
  (Effective 01 July 2009)
- **IFRS 14 –**
  Regulatory Deferral Accounts
  (Effective 01 January 2016)

IFRIC
Issued and effective, however, waiver granted

- **IFRIC 4**
  Determining whether an Arrangement contains a Lease
- **IFRIC 12**
  Service Concession Arrangements

IFRS / IAS
Specific exemptions

- **IFRS 7**
  Banks and DFIs
- **IAS 39**
  Banks and DFIs
- IAS 40
  Banks and DFIs

IFRS / IAS / IFAS
Specific exemptions

- **IFRS 2**
  to all companies for the accounting of "BESOS"
- **IFRS 10**
  consolidation not required if investment by companies in mutual funds
- **IAS 21**
  Power Sector companies
- **IFAS 3**
  Banks

Adoption Status – Under Consideration

IASB issued IFRS	Effective date
IFRS 9 - Financial Instruments	**1 January 2018**
IFRS 15 - Revenue from Contract with Customers	**1 January 2018**
IFRS 16 - Leases	**1 January 2019**

Exposure Draft (ED) for comments
Amendments proposed to three Standards under IFRS Annual Improvement Cycle 2015 – 2017 (issued in January 2017)
IFAS 4 - Diminishing Musharka (issued in February 2017)
IFAS 5 - General and Disclosure in the Financial Statements of Institutions offering Islamic Financial Services (Issuance planned in April 2017)

Adoption Status – IFRS for SMEs

Adopted word-for-word IFRS for SMEs issued by IASB, except, one modification

Option to adopt capitalization of borrowing costs relating to a qualifying asset

Key Differences –
IFRS & Companies Ordinance

Sr. #	Description	Difference between IFRS and Companies Ordinance 1984	Difference between IFRS and Companies Act 2017
1	Consolidation- Definition/ explanation of subsidiary	Exists	Will exist
2	Exemption from preparing consolidated financial statements	Exists	Will exist
3	Difference in the reporting period of the holding company and subsidiary	Exists	Will exist
4	Presentation and Accounting of surplus on revaluation of fixed assets	Exists	Will be resolved
5	Contents of financial statements	Exists	Will be resolved
6	Basis of preparation of financial statements	Exists	Will be resolved
7	Accounting of associated companies	Exists	Will be resolved