Effect of International Financial Reporting Standards (IFRS) Implication in Gaza strip

A Graduation Project Proposal
Presented to the
Faculty of Commerce
The Islamic University of Gaza

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Date
2012/2013
A Holy Qur'an Verse

سورة الزمرة

"قل هل يسني الذين يعلمون والذين لا يعلمون إنما ينذكك أهل الألباب"
Dedication

We dedicate this project to

our beloved country which our hearts is hung to

"Palestine"

our beloved symbol of sacrifice, faith and giving our first

teachers

"Our Fathers"

The moon is jealous from the light of their faces, God made

paradise under their feet, their blessings the secret of our

success

"Our Mothers"

The fine hearts that our happiness can't be completed without

them, those who shared us happiness and sadness all our life

"Our Brothers and Sisters"
Acknowledgement

We want to thank everyone help and participated in making this study starting from our honorable:

Mr. salah shubair

Who put a lot of faith in our capabilities and encouraged us to complete this study … Also we want to thank:

Our Interviewees for their times, help, and information that they provided to us.

And all of our lecturers in the faculty of commerce
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CHAPTER ONE

RESEARCH

PROPOSAL
1.1 Abstract

Most countries around the world start moving toward applying IFRS, and so Palestine. Palestinian Monetary Authority (PMA) forced banks under its supervision to apply IFRS in its accounting system, as well Palestine Securities Exchange (PSE) required all listed companies to prepare its financial statements according to IFRS, so it is important to understand the effect of IFRS implication in our homeland, in order to achieve this, in this research we will study these effects from three main perspectives which are accountants point of view, auditors point of view and academicians –lecturers and students- point of view. There by using personal technique this is expected to serve researchers in designing questionnaire which is the main tool of the study.

This research performed into main four chapters which form the comprehensive research. First chapter is the research proposal, while the second will be about accounting standards with more concentricity on IFRS it will provide a general view about how standards developed, importance of it, and briefly explanation for each IFRS standard according to most recent modification. Third chapter will be the main chapter of the research in which information will be accumulated and the three aspects of study will be proudly discussed, and Impacts of IFRS implementation will be identified more precisely in this chapter. For the fourth chapter procedures performed, information gathered and techniques used will be analyzed, findings reached and conclusions in addition recommendations will be expressed in this chapter.
1.2 Introduction

The main controversy in setting accounting standards is, ‘Whose rules should we play by, and what should they be?’ The answer is not immediately clear. Users of financial accounting statements have both coinciding and conflicting needs for information of various types. To meet these needs, and to satisfy the fiduciary reporting responsibility of management, companies prepare a single set of general purpose financial statements. Users expect these statements to present fairly, clearly, and completely the company’s financial operations.

The accounting profession has attempted to develop asset of standards that are general and universal practiced. Otherwise, each enterprise would have to develop its own standards. Further, readers of financial statements would have to formalize themselves with every company’s peculiar accounting and reporting practices. It would be almost impossible to prepare statements that could be compared.

IFRS is one of these attempts for universal single set of standards, it was issued by International Accounting Standard Board (IASB), and it is still under continuous development by the board to enhance harmonization around the world. IFRS now used by many and many countries and it is applicable in most developed countries except United State which still using U.S. GAAP. This converging widely spread so it is become important to examine the effect of its implication. The needs for studying these effects mainly come from the question, what is the benefit that can be obtained from IFRS implication comparing to risk or cost of such converging?, it is not easy to state an answer for this question, because each country has its own conditions that guide it in taking such action.

In this study we will try to answer previous question with taking into consideration Palestinian environment, the idea behind this study is as we introduced in abstract PMA required all Banks working in Gaza strip to adopt IFRS on its accounting system, in addition PSE on its disclosure instructions force all listed companies to Apply IFRS.
1.3 Statement of the problem
Palestinian accountants in Gaza under pressure of great concerning with IFRS implementation, but moving toward applying these standards faced by many challenges, mainly expected effects of its implementation, especially because of absence of one set of acceptable standards used by professionals and academicians.

Under this view, research problem can be presented by following questions:

1- To what extent IFRS implementation affects accounting practices in Palestine?

2- To what extent IFRS implementation affects the role of auditors in improving quality of information contained in financial statements?

3- To what extent IFRS implementation affects accounting education in Palestinian universities?

4- What is the final effect of IFRS implementation on the condition of accounting professional practices?

5- How will IFRS implementation will minimize the effect of absence of one set standards and enhance comparability?
1.4 Objectives

1.4.1 Main objective


1.4.2 Specific objectives

The specific objectives of the project are:

- To discover IFRS implementation effects on accounting profession in Gaza, and the role of these effects in improving accounting practices and condition.
- To discover IFRS implementation effects on auditors role in improving quality of information.
- To explain consequences of IFRS implementation on accounting education in Palestine.
- To explain how can IFRS be used in order to maintain effects of absence of uniform accounting standards?
1.5 Significance of the project (work)

The importance of this research come from an urgent need for onset of accounting standards applied uniformly in all Palestinian companies specially in Gaza strip to enhance comparability in addition to quality of financial reporting and information contained.

Also standards that are required have to be commensurate with professional expectation and can enhance satisfying users’ needs, so these standards should be backed with laws can provide an implicit authority for these standards in practical life. Professionals are exposed to very rapid development in the field, and because of unclear environment and many types of standards applied the effect of each type of standards may expand, which makes academicians and professionals worry about what will be the effect of IFRS implementation as a most recent standards.

Under previous justification such researches become very important, because of its role in minimize bad side effect may result from IFRS implementation by provide recommendations can be reached from actual examination for the targeted field, as will it will provide evidence about the need of IFRS which also will be supported with advantages of IFRS implementation, also we cannot neglect importance of education as an initial source of science, and it is a fundamental base for profession, thereby providing market by qualified accountants.

As this research will take auditors side, its significant increased, it is expected to state whither auditors working on their qualification continually, and to what extent IFRS implementation will affect auditors ability in assessing quality and fairness of financial statements.
1.6 Scope and limitations of the project (work)

This research will talk about effects of IFRS implication in Gaza strip so it is close relate to accounting and auditing fields, but it is restricted to standards, whatever it is, whither IAS -34 standards- as origins of IFRS or IFRS itself -13 standards-, even it may expose to other standards that were used in Palestine.

The research will focus mainly on main three aspects which keep in touch with standards of financial accounting, which are education and it will be limited to two universities:

- Islamic university of Gaza.
- Al Azhar University.

And it will include on its concern accountants from practical side, so it is expected to interview some of accountants and ask them to fill a questionnaire, the same for auditors but it is limited to their role in provide assurance about quality and fairness of financial statements.

The research will take into consideration final amendments of standards up to 31/12/2012, so any amendments or modification even changes in standards after this date will be uncovered, as well as for laws and regulations in Palestine.
1.7 Methodology
The research will employ descriptive, analytical and investigation methods involving qualitative approaches.

The fieldwork will be based on survey and sample interviews.

Both primary and secondary data sources will be used. Data collection will be carried out in 2013. steps to be taken as follow:

1- The researchers will conduct semi-structured interview with accountants, auditors and lecturers as an experts in accounting science, these interviews will be used as an assistant tool for questionnaire designing.

2- Literature review will be based on published and unpublished materials such as papers, books, special studies, and other library-housed materials will be used.

3- Case study which will be conducted on Al-Multazem insurance & Investment P.L.C..

1.8 Overview of the current state of the art
IFRS standards are the newest standards in the field, and it is the hottest topic for researchers, and it is under updating since it was issued to our current days, the first ninth standards was issued and used in practice, recently IFRS 7 and IFRS 9 amended.

As 2013 approaches, many significant new IFRS standards, amendments and interpretations (IFRS pronouncements) are set to become effective for the first time.

IFRS 10, IFRS 11, IFRS 12, IFRS 13.

The following table shows new publications issued by the IASB, latest in 2012
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<td>On 7 September 2012, the IASB posted to its website a draft of the forthcoming general hedge accounting requirements that will be added to IFRS 9 Financial Instruments. The Board is not seeking comments on the draft, which is available for information purposes. The draft will remain on the website until early December 2012, after which time, the Board intends to proceed to finalize the draft document. It can be accessed at</td>
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<td>IFRS for Small-Medium Enterprises (IFRS for SMEs)</td>
<td>The IASB published July/August 2012 IFRS for SMEs Update.</td>
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<td>IFRS Formula Linkbase 2012</td>
<td>The IFRS Foundation published Formula Linkbase 2012, an updated version of the formula prototype which was released in October 2011. The 2012 formulae are designed to work with the IFRS Taxonomy 2012.</td>
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Current discussions

The IASB and the FASB (together, the Boards) continued to re-deliberate key projects, including: leases; revenue; financial instruments: classification and measurement and impairment and insurance.

The IFRIC met on 18-19 September 2012 to deliberate a number of issues including:

- The accounting for: contingent payments for the separate purchase of property, plant and equipment and intangible assets; and variable payments made by an operator to a grantor in service concession arrangements
- Determining the effective interest rate of Greek government bonds
- Accounting for employee benefits in the nature of contribution-based promises
- Measurement of net defined benefit obligations with employee contributions
- Purchase of a right to use land
- Valuation of biological assets using the residual method
- Accounting for the purchase of a non-controlling interest when the consideration includes non-cash items
- Impairment of investments in associates
- Accounting for telecommunication towers
- Accounting for a reverse acquisition transaction where the acquire is not a business

1.9 Related works

1.9.1 Ee & Iddamal (1993)

This study aims to achieve a global harmonization, and reducing differences between accounting practices around the world, in order to enhance comparability.

To achieve that goal researchers compared financial data without applying IAS on it, with other financial data which applied to IAS, results found that developing countries going toward applying IAS while developed countries has no such trends.

1.9.2 Gale group (2001)

The researcher discussed the problem of variation of standards in different countries, they compared and assessed financial performance of companies in different countries in Europe on base of profit results from operation instead of implementing changes in prices, according to fair value option, so financial data may be lower benefited in expectation of future liquidity.

Also this study aims to make financial information provided to beneficiaries more explicit to enhance assessment of entity performance. The study concluded that some elements of financial statements have to be rearranged and others have to be eliminated.

1.9.3 Noor & Hejawy (2003)

This study was about IAS and Jordanian environment, requirement of implementation and harmonization the study examine the extent of harmonization between IAS and Jordanian
environment, also the study the role of education institutions in achieving this harmonization, study concluded that Jordanian environment commensurate with IAS, in addition it indicated that IAS implementation in Jordan is faced by difficulties and barriers.

1.9.4 Amt et. Al. (2007)

This study discussed IFRS and its effect on financial statements of listed companies in Spain, and it analyzed that effect of IFRS implementation for not for profit organization in addition of listed companies, it concluded that implementing IFRS on net profit also it concluded that IFRS implementation has appositive effect on listed companies.

1.10 Time Table and plan

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CHAPTER TOW

IFRS `S OVERVIEW
2.1 Introduction

IFRS is acceptable globally and provides a common accounting/reporting language to the world.

The history and development of international standards for accounting and auditing trails back all the way to the late 1960s, but never have they reached greater prominence than today as the world moves closer towards international convergence.

A key moment in the move to IAS/IFRS came on 6th June 2002 when the European Council of Ministers approved the regulation that would require all EU companies listed on a regulated market to prepare accounts in accordance with International Accounting Standards for accounting periods beginning on or after 1 January 2005.

With over 100 countries requiring or accepting International Financial Reporting Standards, the likelihood of companies around the globe using the same accounting standards is in view.

Never in history has there been a time when we were closer to the ideal where companies around the globe all use the same accounting standards in their financial reporting. International Financial Reporting Standards (IFRS) are now required or accepted in over 100 countries, and some estimate that number will grow to 150 countries in the next few years.

About 9,000 listed companies in Europe use IFRS, and IFRS are the accounting standards in Australia, New Zealand and South Africa, Brazil, India and Canada. And so the 48 listed companies in Palestine.

For accounting standards to garner worldwide acceptance they must be universally applied. Comparability is essential if “in accordance with IFRS” means that the same or similar transactions are accounted for the same way everywhere, producing financial statements in accordance with IFRS will add value. Investors would no longer need to waste time and effort to reconcile financial information as they compare similar companies from different countries. Capital would flow more efficiently, at less cost to more companies in more places.

A single system of financial reporting would benefit a host of constituents. With quality standards, consistently applied, investor understanding and confidence rises. That translates to strong, stable, liquid markets. With quality reporting, investors wouldn’t need to compensate for
a lack of understanding by demanding a risk premium. With consistent application and the resulting comparability investors and analysts have an easier time knowing how to best allocate capital. Having one financial language reduces preparation and audit costs. No longer is there a need to learn different standards, or keep current in them, at the expense of more fruitful pursuits. Regulation can be easier if properly coordinated. Education and training become easier and more focused.

Convergence of accounting standards has played a major role in the growing acceptance of IFRS. As the differences narrow between IFRS and other widely-accepted accounting systems, resistance to IFRS is beginning to fall away.
2.2 IASB structure
2.2.1 Monitoring Board

The primary purpose of the Monitoring Board is to serve as a mechanism for formal interaction between capital markets authorities and the IFRS Foundation (formerly the IASC) – the objective being to facilitate capital market authorities that allow or require the use of IFRSs in their jurisdictions to more effectively discharge their mandates relating to investor protection, market integrity and capital formation.

The responsibilities of the Monitoring Board include:

• Participating in the process for appointing trustees and approving the appointment of trustees according to the guidelines set out in the IFRS Foundation’s (IFRSF) Constitution.

• Reviewing and providing advice to the trustees on their fulfilment of the responsibilities set out in the IFRSF constitution. The trustees will make an annual written report to the Monitoring Board; and

• Referring matters of broad public interest related to financial reporting to the IASB through the IFRS Foundation.

2.2.2 IFRS Foundation

Composition: 22 individual trustees, one appointed as Chair and up to two as Vice-Chairs. Trustees are appointed for a three-year term, renewable once. Regardless of prior service, a trustee may be appointed to serve as Chair or Vice-Chair for a term of three years, renewable once, provided total years’ service as a trustee does not exceed nine years.

Geographical balance: six trustees from the Asia/Oceania region; six from Europe; six from North America; one from Africa; one from South America and two from any area (subject to maintaining overall geographical balance).

Backgrounds of trustees: the IFRSF Constitution requires an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the
public interest. Two will normally be senior partners of prominent international accounting firms.

2.2.3 International Accounting Standards Board

Composition: from July 2012 16 Board Members, of whom one is appointed as chair and up to two as vice-chairs. Up to three members may be ‘part-time’ members. Since 2 July 2009, IASB members are appointed for an initial term of five years, renewable for a further three years. The chair and vice-chairs may serve second terms of five years, subject to an overall maximum term of ten years.

Geographical balance: to ensure a broad international diversity, there will normally be four members from the Asia/Oceania region; four from Europe; four from North America; one each from Africa and South America; and two appointed from any area, subject to maintaining overall geographical balance.

Backgrounds of Board members: the main qualification for membership is professional competence and practical experience. The group is required to represent the best available combination of technical expertise and diversity of international business and market experience.

2.3 IFRS around the world:

The international standard-setting process began several decades ago as an effort by industrialized nations to create standards that could be used by developing and smaller nations unable to establish their own accounting standards. But as the business world became more global, regulators, investors, large companies and auditing firms began to realize the importance of having common standards in all areas of the financial reporting chain.

In a survey conducted in late 2007 by the International Federation of Accountants (IFAC), a large majority of accounting leaders from around the world agreed that a single set of international standards is important for economic growth. Of the 143 leaders from 91 countries who responded, 90% reported that a single set of international financial reporting standards was “very important” or “important” for economic growth in their countries. The European Union (EU) has adopted virtually all International Financial Reporting Standards (IFRSs), though there is a time lag in adopting several recent IFRSs. In the EU, the audit report and basis of
presentation note refer to compliance with “IFRSs as adopted by the EU.” Israel requires IFRS for all companies, except banks and companies dually listed in the U.S. and Israel. Dually listed companies have the option to use IFRS or U.S. GAAP. Australia and New Zealand have adopted national standards that they describe as IFRS-equivalents.

Currently, more than 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies.

2.4 IASB chronology

(1973) Agreement to establish IASC is signed by representatives of the professional accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, the Republic of Ireland and the United States. Steering committees IASC’s first three projects are appointed.


1982 IASC Board is expanded to up to 17 members, including 13 country members appointed by the Council of the International Federation of Accountants (IFAC) and up to 4 representatives of organisations with an interest in financial reporting. IFAC recognises and will look to IASC as the global accounting standard-setter.

(1989) The Federation of European Accountants (FEE) supports international harmonisation and greater European involvement in IASC. IFAC adopts a public-sector guideline to require government business enterprises to follow IASs.

(1994) IASC Advisory Council is established, with responsibilities for oversight and finances.

(1995) European Commission (EC) supports the agreement between IASC and IOSCO to complete core standards and concludes that IASs should be followed by European Union multinationals.
(1996) US SEC announces its support of IASC’s objective to develop, as expeditiously as possible, accounting standards that could be used in preparing financial statements for the purpose of cross-border offerings.

(1997) SIC is formed with 12 voting members. Mission to develop interpretations of IASs for final approval by IASC. Strategy Working Party is formed to make recommendations regarding the future structure and operation of IASC.

(1998) IFAC/IASC membership expands to 140 accountancy bodies in 101 countries. IASC completes the core Standards with approval of IAS 39.

(1999) G7 Finance Ministers and International Monetary Fund urge support for IASs to “strengthen the international financial architecture”. IASC Board unanimously approves restructuring into 14-member board (12 full-time) under an independent board of trustees.

(2000) IOSCO recommends that its members allow multinational issuers to use IASC standards in cross-border offerings and listings. Ad hoc nominating committee is formed, chaired by US SEC Chairman Arthur Levitt, to nominate the trustees who will oversee the new IASB structure. IASC member bodies approve IASC’s restructuring and a new IASC Constitution. Nominating committee announces initial trustees. Trustees name Sir David Tweedie (chairman of the UK Accounting Standards Board) as the first Chairman of the restructured IASB.

(2001) Members and new name of IASB are announced. IASC Foundation is formed. On 1 April 2001, the new IASB assumes its standard-setting responsibilities from the IASC. Existing IASs and SICs adopted by IASB.IASB moves into its new offices at 30 Cannon Street, London. IASB meets with chairs of its eight liaison national accounting standard-setting bodies to begin coordinating agendas and setting out convergence goals.

(2002) SIC is renamed as the IFRIC with a mandate not only to interpret existing IASs and IFRSs but also to provide timely guidance on matters not addressed in an IAS or IFRS. Europe requires IFRSs for listed companies starting 2005. IASB and FASB issue joint agreement on convergence.

(2003) First final IFRS and first IFRIC draft Interpretation are published. Improvements project is completed – major revisions to 14 IASs.
(2004) Extensive discussions about IAS 39 in Europe, leading to EC endorsement with two sections of IAS 39 ‘carved out’. Webcasting of IASB meetings begins. IFRSs 2 through 6 are published. IFRICs 1 through 5 are published.


(2006) IASB/FASB updates agreement on convergence. IASB issues statement on working relationships with other standard setters. IASB announces that no new major Standards will be effective before 2009. IFRS 8 is published. IFRICs 8 through 12 are published.

(2007) IFRIC is expanded from 12 to 14 members. US SEC drops requirement for reconciliation to US GAAP for foreign IFRS registrants and invites comments on use of IFRSs by US domestic registrants. Revisions to IAS 1 and IAS 23 are published. IFRICs 13 and 14 are published. Board proposes separate IFRS for small and medium-sized entities (SMEs).

(2008) IOSCO issues statement urging entities to clearly state whether they comply in full with IFRSs as adopted by the IASB. IASB and FASB accelerate joint projects for completion in mid-2011, in anticipation of adoption of IFRSs by additional jurisdictions, including the US, by around 2014. American Institute of Certified Public Accountants designates IASB as a recognised standard setter under its ethics rules. SEC proposes ‘roadmap’ for use of IFRSs by US domestic registrants. Amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 32 and IAS 39 are issued. First Annual Improvements Standard is issued. IFRICs 16 and 17 are published. IASB’s response to global financial crisis includes new fair value measurement guidance, fast-track amendments to IAS 39; acceleration of projects on fair value measurement and consolidation; enhanced financial instrument disclosures; and establishment of two expert advisory groups.

(2009) IASB is expanded to 16 members (including maximum 3 part-time) and geographic mix established. IASC forms a Monitoring Board of public authorities. Amendments to IFRS 1, IFRS 2, IAS 24, 32 and IFRIC 14 are issued. IFRS 9 (classification and measurement of financial assets) is issued as the first phase in the Board’s replacement of IAS 39. Second Annual Improvements Standard is issued. IFRICs 18 and 19 are issued. Response to global financial
crisis continues, including projects on replacement of IAS 39, including measurement of loan impairments.

**2010** Amendments to IFRS 1, IFRS 7 and IAS 12 are issued. Requirements for financial liabilities are added to IFRS 9 (classification and measurement) as part of the first phase in the replacement of IAS 39. Revised Conceptual Framework for Financial Reporting is issued, reflecting the completion of Phase A (Objectives and Qualitative characteristics). Third Annual Improvements Standard is issued. IFRS Practice Statement Management Commentary is issued. Trustees complete part 2 of 2008-2010 Constitution Review, including name changes as follows: IFRS Foundation (formerly the IASC Foundation); IFRS Interpretations Committee (formerly the IFRIC) and IFRS Advisory Council (formerly the Standards Advisory Council (SAC)). IASB and FASB change the timetable for a number of their joint projects, prioritising the major projects and limiting the number of significant exposure drafts.

**2011** IFRSs 10 through 13 are issued. Amendments to IAS 27 and 28 are issued. Hans Hoogervorst takes over the Chairmanship of the IASB from Sir David Tweedie. Amendments to IAS 1 that provide guidance on the presentation of the items contained in other comprehensive income (OCI) and their classification within OCI. Amendments to IAS 19 are issued. IASB issues request for views on its first three-yearly agenda consultation. Amendments to IAS 32 are issued. IFRIC 20 is issued. IASB issues revised exposure draft on revenue recognition. IASB defers the mandatory effective date of IFRS 9 until 2015 and adds further disclosure requirements.

**2012** Amendments to IFRSs 1, 10, 11 and 12 are issued. Fourth Annual Improvements Standard is issued. Report of the Trustees’ Strategy Review 2011, IFRSs as the Global Standards: Setting a Strategy for the Foundation’s Second Decade, is issued. IASB and FASB set a new target for completing the remaining major convergence projects to the first half of 2013 in their report to G20. Trustees complete their review of the efficiency and effectiveness of the IFRIC. IFRSF issues invitation to comment on its new due process to be followed by IASB and IFRIC as well as Due Process Oversight Committee (DPOC) of the IFRSF.
### 2.5 The 13th IFRS(s)

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2.6 Brief explanation for each standard:

2.6.1 IFRS 1

IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

Summary:

• Select accounting policies based on IFRSs in force at 31 December 2012.

• Prepare at least 2012 and 2011 financial statements and restate retrospectively the opening statement of financial position by applying the IFRSs in force at 31 December 2012, except for those matters dealt with in specific exemptions in IFRS 1:

  – The opening statement of financial position is prepared at 1 January 2011 at the latest (but may be earlier if the entity elects to present more than one year of comparative information under IFRSs); – the opening statement of financial position is presented in the entity’s first IFRS financial statements (therefore, three statements of financial position); and

  – If a 31 December 2012 adopter reports selected financial data (but not full financial statements) on an IFRS basis for periods prior to 2011, in addition to full financial statements for 2011 and 2012, that does not change the fact that its opening IFRS statement of financial position is as at 1 January 2011.

2.6.2 IFRS 2

IFRS 2 Share-based Payment requires an entity to recognize share-based payment transactions (such as granted shares, share options, or share appreciation rights) in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. Specific requirements are included for equity-settled and cash-settled share-based payment transactions, as well as those where the entity or supplier has a choice of cash or equity instruments.
Summary:

• All share-based payment transactions are recognized in the financial statements, using a fair value measurement basis.

• An expense is recognized when the goods or services received are consumed.

• IFRS 2 also applies to share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received.

• IFRS 2 applies to both public and non-public entities. However, if the fair value of equity instruments of non-public entities cannot be measured reliably, intrinsic value measurements are used.

• In principle, transactions in which goods or services are received from non-employees as consideration for equity instruments of the entity are measured at the fair value of the goods or services received. Only if the fair value of the goods or services cannot be measured reliably is the fair value of the equity instruments granted used.

• For transactions with employees and others providing similar services, the entity measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received.

• For transactions measured at the fair value of the equity instruments granted (such as transactions with employees), fair value is estimated at grant date.

• For transactions measured at the fair value of the goods or services received, fair value is estimated at the date of receipt of these goods or services.

• For goods or services measured by reference to the fair value of the equity instruments granted, in general, vesting conditions (other than market conditions) are not taken into account when estimating the fair value of the shares or options at the relevant measurement date (as specified above), but are subsequently taken into account by adjusting the number of equity instruments included in the measurement of the transaction.
• Vesting conditions are either service conditions or performance conditions. Performance conditions require the completion of a specified period of service in addition to specified performance targets.

• Market-based vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or options at the relevant measurement date, with no subsequent adjustments made in respect of such conditions.

• The fair value of equity instruments granted is based on market prices, if available, and takes into account the terms and conditions on which those equity instruments were granted. In the absence of market prices, fair value is estimated using a valuation model to estimate what the price of those equity instruments would have been on the measurement date in an arm’s length transaction between knowledgeable, willing parties. IFRS 2 does not specify which particular valuation model should be used.

• Guidance on the accounting for share-based payment transactions among group entities.

2.6.3 IFRS 3

IFRS 3 Business Combinations outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

Summary:

• A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.

• IFRS 3 does not apply to the formation of a joint venture, combinations of entities or businesses under common control, nor to the acquisition of an asset or a group of assets that do not constitute a business.

• The acquisition method is used for all business combinations.
• Steps in applying the acquisition method.

1. Identification of the ‘acquirer’ – the combining entity that obtains control of the acquiree.

2. Determination of the ‘acquisition date’ – the date on which the acquirer obtains control of the acquiree.

3. Recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI) in the acquiree.

4. Recognition and measurement of goodwill or a gain from a bargain purchase.

• Assets and liabilities are measured at their acquisition-date fair values (with a limited number of specified exceptions). An entity may elect to measure components of NCI in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in liquidation either at (a) fair value or (b) the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets (option available on a transaction-by-transaction basis). All other components of NCI shall be measured at their acquisition-date fair value, unless another measurement basis is required by IFRS.

• Goodwill is measured as the difference between:

  – the aggregate of (a) the acquisition-date fair value of the consideration transferred, (b) the amount of any NCI, and (c) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer’s previously-held equity interest in the acquiree; and

  – the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

• If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.

• For business combinations achieved in stages, if the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.
• If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year. No adjustments after one year except to correct an error in accordance with IAS 8.

• Consideration for the acquisition includes the acquisition-date fair value of contingent consideration. Changes to contingent consideration classified as a liability resulting from events after the acquisition date are generally recognised in profit or loss.

• All acquisition-related costs (e.g. finder’s fees, professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity securities, which are recognised in accordance with IAS 39 and IAS 32 respectively.

• Expanded guidance on some specific aspects of business combinations, including:
  – business combinations achieved without the transfer of consideration;
  – reverse acquisitions; — identifying intangible assets acquired;
  – un-replaced and voluntarily replaced share-based payment awards;
  – pre-existing relationships between the acquirer and the acquiree (e.g. reacquired rights); and
  – the reassessment of the acquiree’s contractual arrangements at the acquisition date.

2.6.4 IFRS 4

IFRS 4 Insurance Contracts applies, with limited exceptions; to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB’s comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 Accounting Policies, Changes in Estimates and Errors when selecting accounting policies for insurance contracts.
Summary:

• Insurers are exempted from applying the IASB Framework and certain existing IFRSs.

• Catastrophe reserves and equalisation provisions are prohibited.

• Requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.

• Insurance liabilities may not be offset against related reinsurance assets.

• Accounting policy changes are restricted.

• New disclosures are required.

• Financial guarantee contracts are in the scope of IAS 39, unless the issuer had previously (prior to initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In such circumstances, the issuer may elect to apply either IAS 39 or IFRS 4.

2.6.5 IFRS 5

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations outlines how to account for non-current assets held for sale (or for distribution to owners). In general terms, assets (or disposal groups) held for sale are not depreciated, are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the balance sheet. Specific disclosures are also required for discontinued operations and disposals of non-current assets.

Summary:

• Introduces the classification ‘held for sale’ (available for immediate sale and disposal within 12 months is highly probable) and the concept of a disposal group (a group of assets to be disposed of in a single transaction, including any related liabilities also transferred).
• Non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.

• Such non-current assets held for sale (whether individually or as part of a disposal group) are not depreciated.

• A non-current asset classified as held for sale, and the assets and liabilities in a disposal group classified as held for sale, are presented separately in the statement of financial position.

• Assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

• A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or major geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.

• An entity presents as a single amount in the statement of comprehensive income the sum of the post-tax profit or loss from discontinued operations for the period and the post tax gain or loss arising on the disposal of discontinued operations (or on the reclassification of the assets and liabilities of discontinued operations as held for sale). Therefore, the statement of comprehensive income is effectively divided into two sections – continuing operations and discontinued operations.

• The April 2009 amendments confirm that IFRS 5 requires disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Consequently, disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs specifically require disclosures or the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of the measurement requirements of IFRS 5.
2.6.6 IFRS 6

IFRS 6 Exploration for and Evaluation of Mineral Resources has the effect of allowing entities adopting the standard for the first time to use accounting policies for exploration and evaluation assets that were applied before adopting IFRSs. It also modifies impairment testing of exploration and evaluation assets by introducing different impairment indicators and allowing the carrying amount to be tested at an aggregate level (not greater than a segment).

IFRS 6 was issued in December 2004 and applies to annual periods beginning on or after 1 January 2006.

Summary:

• Does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets. An entity is permitted to continue to use its existing accounting policies provided that they comply with the requirements of paragraph 10 of IAS 8, i.e. that they result in information that is relevant to the economic decision-making needs of users and that is reliable.
• Grants a temporary exemption from applying paragraphs 11 and 12 of IAS 8 – which specify a hierarchy of sources of authoritative guidance in the absence of a specific IFRS
• Requires an impairment test when there is an indication that the carrying amount of exploration and evaluation assets exceeds recoverable amount. Also, exploration and evaluation assets are tested for impairment before reclassification of those assets as development assets.
• Allows impairment to be assessed at a level higher than the ‘cash-generating unit’ under IAS 36, but measures impairment in accordance with IAS 36 once it is assessed.
• Requires disclosure of information that identifies and explains amounts arising from exploration and evaluation of mineral resources.
2.6.7 IFRS 7

IFRS 7 Financial Instruments: Disclosures requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

Summary:

• Requires disclosure of information about the significance of financial instruments for an entity’s financial position and performance.

These include:

– disclosures relating to the entity’s financial position – including information about financial assets and financial liabilities by category; special disclosures when the fair value option is used; reclassifications; derecognitions; pledges of assets; embedded derivatives; breaches of terms of agreements and offsetting of financial assets and liabilities;

– disclosures relating to the entity’s performance in the period – including information about recognised income, expenses, gains and losses; interest income and expense; fee income; and impairment losses; and

– other disclosures – including information about accounting policies; hedge accounting; and the fair values of each class of financial asset and financial liability.

• Requires disclosure of information about the nature and extent of risks arising from financial instruments:

– qualitative disclosures about exposures to each class of risk and how those risks are managed; and

– quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analyses).
2.6.8 IFRS 8

IFRS 8 Operating Segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers. Information is based on internal management reports, both in the identification of operating segments and measurement of disclosed segment information.

Summary:

- Applies to the consolidated financial statements of a group with a parent (and to the separate or individual financial statements of an entity):
  - whose debt or equity instruments are traded in a public market; or
  - that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

- An operating segment is a component of an entity:
  - that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
  - whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
  - for which discrete financial information is available Start-up operations may be operating segments before earning revenues.

- Guidance is provided on which operating segments are reportable (generally 10% thresholds for revenue, absolute amount of its reported profit or loss, and assets).
• At least 75% of the entity’s revenue must be included in reportable segments.

• Does not define segment revenue, segment expense, segment result, segment assets or segment liabilities, nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entity’s financial statements.

• Some entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services, geographical areas and major customers (see below).

• Analyses of revenues and certain non-current assets by geographical area are required from all entities – with an expanded requirement to disclose revenues/non-current assets by individual foreign country (if material), irrespective of the entity’s organisation.

• There is also a requirement to disclose information about transactions with major external customers (10% or more of the entity’s revenue).

2.6.9 IFRS 9

IFRS 9 Financial Instruments sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39 Financial Instruments: Recognition and Measurement.

Summary:

• IFRS 9 carries forward the requirements in IAS 39 related to the recognition and derecognition of financial assets and financial liabilities (see IAS 39 Summary).

• Recognized financial assets (that are currently in the scope of IAS 39) will be measured at either amortized cost or fair value.
• A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost unless it is designated at fair value through profit and loss (see below).

• All other debt instruments must be measured at fair value through profit or loss (FVTPL).

• A fair value option is also available as an alternative to amortized cost measurement (provided that certain conditions are met) for debt instruments allowing such instruments to be designated as financial assets at FVTPL.

• All equity instruments (e.g. shares) are to be measured at fair value with the default recognition of gains and losses in profit or loss. Only if the equity instrument is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income (FVTOCI) with only dividend income recognized in profit or loss and no reclassification of gains and losses on disposal.

• Generally, recognized financial liabilities (that are currently in the scope of IAS 39) will be measured at amortized cost except for certain liabilities (for example, derivatives) that shall be measured at fair value and liabilities irrevocably designated as measured at FVTPL at initial recognition.

• For financial liabilities designated as at FVTPL, the amount of change in fair value attributable to changes in the entity’s own credit risk shall be recognized in OCI with the remaining change being recognized in profit or loss, unless the treatment of the credit risk creates or enlarges an accounting mismatch in profit or loss.

• All derivatives, whether assets or liabilities, within the scope of the Standard are required to be measured at fair value.

• Derivatives embedded in a financial asset shall not be accounted for separately from the financial asset. Embedded derivatives not closely related to financial liabilities will be accounted
for separately at fair value in the case of financial liabilities not designated at FVTPL (as in IAS 39).

**2.6.10 IFRS 10**

IFRS 10 Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

Summary:

- A subsidiary is an entity controlled by another entity, the parent.
- Control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.
- IFRS 10 includes guidance on the assessment of control, including material on: protective rights; delegated power; de facto control; and de facto agency arrangements.
- Consolidated financial statements are financial statements of a group (parent and subsidiaries) presented as those of a single economic entity.
- When a parent-subsidiary relationship exists, consolidated financial statements are required (subject to certain specified exceptions).
- Consolidated financial statements include all subsidiaries. No exemption for ‘temporary control’, ‘different lines of business’ or ‘subsidiary that operates under severe long-term funds transfer restrictions’. However, if, on acquisition, a subsidiary meets the criteria to be classified as held for sale under IFRS 5, it is accounted for under that Standard.
- Intragroup balances, transactions, income and expenses are eliminated in full.
• All entities in the group use the same accounting policies and, if practicable, the same reporting date.

• Non-controlling interests (NCI) are reported in equity in the statement of financial position separately from the equity of the owners of the parent. Total comprehensive income is allocated between NCI and the owners of the parent even if this results in the NCI having a deficit balance.

• Partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and no gain or loss is recognized in profit or loss.

• Acquisition of a further ownership interest in a subsidiary after obtaining control is accounted for as an equity transaction and no gain, loss or adjustment to goodwill is recognized.

• Partial disposal of an investment in a subsidiary that results in loss of control triggers re-measurement of the residual holding to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognized in profit or loss. Thereafter, IAS 28, IAS 31 or IFRS 9/IAS 39 is applied, as appropriate, to the residual holding.

2.6.11 IFRS 11

IFRS 11 Joint Arrangements outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).

Summary:

• Applies to all entities that are a party to a joint arrangement.

• A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities.
• A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

• The distinction between a joint operation and a joint venture requires assessment of the structure of the joint arrangement, the legal form of any separate vehicle, the terms of the contractual arrangement and any other relevant facts and circumstances.

• Joint operations: joint operator recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in both its separate and consolidated financial statements.

• Joint ventures: joint venture applies the equity method, as described in IAS 28, except joint ventures where the investor is a venture capital firm, mutual fund or unit trust, and it elects or is required to measure such investments at fair value through profit or loss in accordance with IFRS 9 or IAS 39 with certain disclosures.

• Interests in joint operation and joint ventures that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.

• Even if consolidated financial statements are not prepared (e.g. because the venturer has no subsidiaries), the equity method is used to account for joint ventures. However, in the venturer’s ‘separate financial statements’ as defined in IAS 27, interests in joint ventures are accounted for either at cost or as investments in accordance with IFRS 9 or IAS 39.

2.6.12 IFRS 12

IFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring a wide range of disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated ‘structured entities’. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives.
Summary:

• Requires disclosures for the following broad categories:

  – significant judgements and assumptions – such as how control, joint control and significant influence has been determined;

  – interests in subsidiaries – including details of the structure of the group, risks associated with consolidated structured entities, restrictions on use of assets and settlement of liabilities; changes in ownership levels, non-controlling interests in the group, etc.;

  – interests in joint arrangements and associates – the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) and the risks associated with such entities;

  – interests in unconsolidated structured entities – the nature and extent of interests in unconsolidated structured entities and the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

2.6.13 IFRS 13

IFRS 13 Fair Value Measurement applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

Summary:

• Applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements such as fair value less costs to sell).

• Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
• Requires, with some exceptions, classification of these measurements into a ‘fair value hierarchy’ based on the nature of the inputs:

– Level 1 – quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;

– Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

– Level 3 – unobservable inputs for the asset or liability.

• Requires various disclosures depending on the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.
2.7 IFRS’s challenges and opportunities

2.7.1 Challenges:

There are important considerations that need to be evaluated prior to the potential adoption of IFRS in the U.S. These include the following:

• IASB’s Funding, Staffing and Governance

The success of IFRS as a high-quality set of global accounting standards depends upon the IASB functioning as a truly independent standard-setting body that enjoys the confidence of market participants around the world. To assure that confidence, the IASB needs to have a secure, stable funding mechanism, expert staffing and appropriate governance structure to ensure the standard-setting process is free from undue influence from various constituents. To address some of these concerns, in January 2009 the IASC established a monitoring board, made up of representatives from leading securities regulators (including the SEC) to enhance the public accountability of the IASC while at the same time maintaining the independence of the standard setting process.

• Consistent Adoption, Application and Regulatory Review

While a significant number of nations have adopted or accepted IFRS, in order to achieve the true benefits of a uniform set of accounting standards, it is important that IFRS is adopted by nations in a manner consistent with those issued by the IASB. In addition, it is equally important that they are applied and enforced in a consistent manner. Therefore, there must also be a mechanism to ensure that auditing standards and the practices of auditors facilitate consistent application of IFRS. Similarly, over time there must be improved coordination of global regulatory review. Absent those changes, the adoption of IFRS may mean substantial investment, but without realization of all the benefits that could be achieved from a more uniform global reporting system.

• Discontinuing national GAAP

Even among those market participants who acknowledge the importance of establishing uniform global accounting standards, there are some who are concerned with a transition away from
national GAAP such as U.S. because they believe it is the true “gold standard” for financial reporting given its extensive development, understanding and use around the world.

2.7.2 Opportunities:

While the concerns outlined above warrant further consideration, there are a number of factors that support the idea of adoption or acceptance of IFRS in the United States:

• Facilitate More Efficient Capital Allocations

A single set of high-quality global accounting standards would increase the ability of companies to raise capital in multiple jurisdictions around the world while at the same time allowing investors to more efficiently compare global investment opportunities.

• Align the United States with the Rest of the World

Already, more than 100 nations have adopted or accepted IFRS, including most of the world’s developed economies. At this point, it is fair to say that IFRS is becoming the global norm. If the United States were to adopt IFRS, it would be joining much of the rest of the world, which would provide a powerful push toward worldwide acceptance of a single set of global accounting standards.

• Protect Long-term Competitiveness of Capital Markets

Cross-border investment and the integration of capital markets may be easier among those nations that adopt IFRS. By choosing not to adopt IFRS, a nation may run the risk of seeing investors and businesses shift to financial centers in those nations that use IFRS.

• Promote Increased Transparency

IFRS is a more “principles-based” set of accounting standards than US GAAP. As such, it may allow companies and auditors to focus less on strict adherence to detailed requirements and “bright lines,” and instead concentrate on providing a clear statement of an entity’s assessment of the economic realities of its business activities. Some studies have suggested that this principles-based approach allows for, and in fact, incentivizes companies to provide financial reports that offer a more transparent picture of the firm’s economic condition.
• Reduce Complexity in Financial Reporting

Over the last several decades, the standards of national GAAP or IAS and associated guidance have grown to many thousands of pages. By contrast, IFRS is substantially shorter in length. The principles-based nature of IFRS standards may facilitate an enhanced focus on the economic purpose of a company’s business activities in its financial reports. This may make it possible for businesses to produce financial reports that are less complex for investors and other users of financial information. It is worth noting that while IFRS is less mature than national GAAP, it does provide a level of interpretive guidance to assist companies in applying the principles.

• Increase Efficiency for Companies

Adoption of IFRS offers potential cost savings for companies operating in multiple countries around the world by making it less costly to find local accountants, as the acceptance of IFRS worldwide may reduce the number of accountants with knowledge of national GAAP. In addition, it may help reduce the costs associated with maintaining multiple sets of books, as well as reduce the chance of errors associated with translating financial information from IFRS to national GAAP. Moreover, the transition to IFRS could lessen costs for investors by eliminating many of the adjustments that analysts and other users currently must make in order to compare financial results and financial conditions in different countries.
CHAPTER THREE

EFFECTS OF IFRS ON ACCOUNTING, EDUCATION, AND AUDITING
First part “Effects of IFRS on Accounting”

3.1 Introduction
The accounting profession is one profession that enjoy with important role economically and socially at the level of individuals, institutions and sectors in terms of resource allocation decisions and economic decisions, and have a significant impact in the business community in the country, and increasingly important the higher transparency standards for public and private institution.

Hence, we find that the accounting profession has topped the list of services issued by the World Trade Organization (WTO) as a mirror instrument financial and economic lifeblood of the facility economic and service Taking the accounting constitute a tool to adjust the business's financial facilities of various types and the production of financial statements and reports, the audit profession importance greatest where the responsibility to verify and audit to determine the opinion unequivocally or ambiguity about the validity and fairness of the financial statements and they reflect honestly about the situation or the financial position of the entity according to the laws enabling users of financial statements internally and externally to make the right decisions to ensure the continuation of these enterprises and their contribution to the strengthening and consolidating the economy National.

Most countries have realized the importance of this profession rushed to organize and take care of it and complete the basic components have to be one of the important means to the renaissance of the society and the state economically, financially and socially.

In these days we are living a time of globalization has become necessary to have a single language in the world in the science of accounting work of those interested in this field to develop concepts for the interpretation of each command and measured in the same way and has become imperative for everyone to start first apply what can them according to the laws that it operates after air itself and its laws and its applications in accordance with these standards in order to facilitate the observers of the economy of any country to read it and view it and discover
what can be of investment opportunities in this country or that what has become wide field of competition between the nations of the world which one succeeds in bringing the largest number of investors and that can only be achieved on the basis of clear and understandable landmarks according to international standards.

The adoption of international accounting standards by the Association of Accountants and Auditors Palestinian and clear through a magazine accountant Palestinian "This is our work in our state promising to this approach, and we announced that we adopt in Palestine international standards of accounting and auditing to begin the first stage of the application could be them down to be adopted in full accordance with conditions of the development of our country and bringing them to the stage of full independence in the near future, God willing, politically and economically (Eweda, 2013).

3.2 The reality of the accounting profession in Gaza

Still social perception of the accounting profession in the Gaza Strip is low in general, they are not treated as a profession separate its existence private, but as a profession subsidiary dictated by legal considerations make some viewed it as a means of tax evasion, rather than a system of information useful and necessary to help the administration to carry out its functions of planning, control and decision-making, has established this perception by Palestinian society because the services of the accounting profession intangible and difficult to measure because of exaggerating to focus on procedural aspects at the expense of aspects of creation and creativity, but the degree melted the personal accountant and bookkeeper or holder notebooks there are differences between them has been reflected low social outlook for accounting career in Gaza Strip.

Overestimate the official authorities of the importance of their role in the development process, Assigned have a secondary role in this field on the basis of the accounting systems where limited in its current state for providing economic information and its implementation.

The onset of accounting and auditing profession in Palestine due to the thirties of the last century, in contrast, began the profession appear in Jordan since 1943, where it was provided accounting services prior to this date in Jordan by the auditors of Palestinians from the West.
Bank of the Jordan River, but the Arab-Israeli war first in 1948 and the resultant migration led to the transfer of Palestinian Occupation of Palestine to Jordan, where quoted companies and banks, business centers from Jerusalem to Amman so moved with companies and accounting and auditing offices (Helles, 1997).

The accounting and auditing profession in Jordan and Palestine have dealt with the laws and regulations that have arisen needed with the developments in the Arab region during the last five decades of the last century, there was not waved the early sixties any laws governing the accounting and auditing profession, but in 1961, a law profession references which addressed the audit profession without the accounting profession, and at the level of the private sector without public sector and address the procedures and the rights and duties without the development of standards for the profession, has applied the law to the West Bank did not apply to the Gaza Strip until January 1997, which issued a presidential decree on the entry into force practicing law audit No. 10 of 1961 on all the Palestinian territories.

Labor Law No. 10 of 1961 has been canceled in Jordan, after the issuance of the Auditing Profession Law No. 32 of 1985, which tried to organize my profession of accounting and auditing in Jordan and that the lack of accounting standards or audit evidence local in that period, has been issued under the law of 1985 two first is the classification system auditors No. 10 of 1986 and the second system Association auditors Jordan's No. 42 for the year 1986, which stated the law founded, was established this association branch in the West Bank known as the Association of Auditors Chartered Palestinian, in contrast, was founded for Accountants in the Gaza Strip Association known at the time as the Association of Accountants and auditors Arabs in the Gaza Strip, in March 1979, has resulted in greater attention to the profession of auditing in the West Bank compared to the attention of accounting profession in Gaza Strip has continued to work the law of practicing the profession of auditing No. (10) for the year 1961 that a law was passed auditing profession (9) for the year 2004, which established the professional association of auditors, known as the Association of Certified Public Accounts Palestinian (Helles, 2008).
3.3 Identification of accounting and its objectives:

Considering that the definition of thing is part of the origin and an essential pillar in its development, because of this the researcher find it is necessary to give an overview about an accounting and its objectives.

Its function is to provide quantitative information, primarily financial in nature, about economic entities that is intended to be useful in making economic decisions, in making reasoned choices among alternative courses of action.

And it is also defined as the process of identifying, measuring and communicating economic information to permit informed judgment and decision by users of the information.

Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least of financial character and interpreting the results thereof.

3.3.1 The following are the main objectives of accounting:

1- To keep systematic records:

Accounting is done to keep a systematic record of financial transactions. In the absence of accounting there would have been terrific burden on human memory which in most cases would have been impossible to bear.

2- To protect business properties:

Accounting provides protection to business properties from unjustified and unwarranted us. This is possible on account of accounting supplying the information to the manager or the proprietor.

3- To ascertain the operational profit or loss:

Accounting helps is ascertaining the net profit earned or loss suffered on account of carrying the business. This is done by keeping a proper record of revenues and expenses of a particular period. The profit and loss account is prepared at the end of a period and if the amount of
revenue for the period is more than the expenditure incurred in earning that revenue, there is said to be a profit. In case the expenditure exceeds the revenue, there is said to be a loss.

4- To ascertain the financial position of business:

The profit and loss account gives the amount of profit or loss made by the business during a particular period. However, it is not enough. The businessman must know about his financial position i.e., where he stands; what he owes and what he own? This objective is served by the balance sheet or position statement.

5- To facilitate rational decision making:

Accounting these days has taken upon itself the task of collection, analysis and reporting of information at the required points of time to the required levels of authority in order to facilitate rational decision making.

3.4 Elements of the accounting profession and provided in the Palestinian environment

The profession of accounting sovereign profession exceed the geographical boundaries of the state or the country concerned, Therefore, since I want them to play their role in meeting the requirements of the users of financial statements, internally and externally, it has to be a have the basic ingredients for this profession. Summed up the most important ingredient in the following elements:

- Provide essential services of value.
- Thoughtful framework of accounting.
- Accounting standards.
- Rehabilitation and training programs and continuing education.
- Quality control programs and the quality of the performance.
- The existence of professional organizations.

3.5 Essential valuable services of accounting

There is no doubt that the community's recognition of the need for services provided by the accounting profession is important and one of the basic pillars of the profession and helps in the
development, in terms of the development of professional practice and its final product represented in the financial statements in order to achieve the purposes of the beneficiaries.

The governments and professional organizations a key role in deepening and consolidation of the accounting value of the services through attention to accounting activities, and confirm its role in the process of planning, organizing, economic forecasting, and also of the laws and regulations that help to strengthen the practice of the profession.

The application on the Palestinian environment note that it did not live up look at most of the Palestinian society to the many services provided by us to the accounting profession, where perceived that their role is limited to tax clearance and ignored the rest of the services. The political situation and the circumstances experienced by the Palestine have contributed to the strengthening of this view, which led to the authorization of the main pillars of the accounting profession in Palestine.

3.6 Thoughtful framework of accounting

The intellectual framework for accounting basis from which to derive a detailed accounting standard which includes two main components, the first in the objectives of accounting which has already been referred to at the accounting definition and objectives, main purpose is to determine the objectives of financial accounting in:

- To assist those responsible in the development of financial accounting standards.
- assist accountants and others (such as the management of the company) in determining the proper accounting treatments in accounting matters that have not issued after the accounting standards.
- To assist the administration in making sound decisions in a timely manner.
- Increase understanding of whom use financial statements and private information covered by those lists, and makes them aware of the limits of the use of that information and what its usefulness is.

The second element is in the accounting concepts, which constitute the basic features of financial
accounting that is used along with the objectives of financial accounting basis for the development of such standards is include:

- Concepts of the essential elements of the financial statements.
- Accounting measurement concepts.
- Concepts of the quality of accounting information.

In Palestine, there is no intellectual framework for accounting and this would hinder the application of standards to prepare financial statements international, because the frame of mind shows the fundamentals and basic concepts that are going out to hold in any country, to knead to be placed under intellectual accountability in Palestine takes into account the nature of the Palestinian environment. The accounting concepts and goals so that they form a sound basis for the development and adoption of accounting principles in Palestine.

3.7 Accounting standards
Accounting is the main tool for the production of financial reports on the work of enterprises of different kinds and on which it is based on different categories of beneficiaries in making the right decisions. Therefore, the accounting standards, which is on the basis of financial reports should be seen as a matter of strategic interest to the community as a whole and the consequent potential impacts on the decisions of the parties which use these reports in making their decisions. Hence the global and local attention on both the development of standards to regulate the accounting work and outputs in order to achieve justice, transparency and comparability.

Although the international accounting standards developed by the International Accounting Standards Committee formed a point of quality in work organization accounting and consolidation of outputs at the level of the world remains essential attention to the existence of accounting standards local each country take into account the special circumstances and the privacy of professional practice and development and approaching international standards including buffer means compared the results of the work of the Foreign Ministry and local enterprises strengthen accountability and internal and external monitoring and the protection of investors and financiers.
Given the Palestinian reality, we find until now that no accounting standards adhered to by practitioners of the accounting profession and companies in the work of accounting in preparing the financial statements, which notes that the part of companies and accountants are guided and individually and voluntary standards of international accounting, and the standards of preparation of financial statements International varying degrees, As some companies and private market registered Palestine Securities Exchange publish its financial statements in the daily newspapers in application of the principle of transparency and disclosure.

Therefore, the researcher believes that it is necessary to form a Palestinian committee of specialized professionals, academics are holding workshops and meetings to prepare and develop accounting standards Palestinian abide by all companies in Palestine on the different forms of systemic and activities practiced by the understanding that the Commission should take into account to prepare the standards and in accordance with the scientific method and the methodology of taking into account international experience and Arab experiences, developed local standards have fit their environment and consistent with international standards, as should the opinion of the specialists and professional organizations, so as to ensure the formulation and adoption of accounting standards unanimously agree and conditions of economic activity, current and circumstances environmental, and thus We have worked to narrow the difference in applications with international standards, and this achieves the greatest susceptibility compared with accounting information of interest and benefit to the individual and collective level of the accounting profession in Palestine.

3.8 Rehabilitation and training programs and continuing education
Which will be studied later…

3.9 Quality control programs and the quality of the performance
Firm has a responsibility to ensure that its personnel comply with the professional standards applicable to its accounting practice. A system of quality control is broadly defined as a process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm’s standards of quality. The policies and procedures designed
to implement the system in one segment of a firm's practice may be the same as, different from, or interrelated with the policies and procedures designed for another segment, but the purpose of the system is the same for all segments of a firm's practice.

A firm's system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide the firm with reasonable assurance of complying with professional standards. The nature, extent, and formality of a firm's quality control policies and procedures should be appropriately comprehensive and suitably designed in relation to the firm's size, the number of its offices, the degree of authority allowed its personnel and its offices, the knowledge and experience of its personnel, the nature and complexity of the firm's practice, and appropriate cost-benefit considerations.

Any system of quality control has inherent limitations that can reduce its effectiveness. Variance in an individual's performance and understanding of (a) professional requirements or (b) the firm's quality control policies and procedures affects the degree of compliance with a firm's prescribed quality control policies and procedures and, therefore, the effectiveness of the system. The system of quality control should provide the firm with reasonable assurance that the segments of the firm's engagements performed by its foreign offices or by its domestic or foreign affiliates or correspondents are performed in accordance with professional standards in the United States when such standards are applicable.

3.9.1 Elements of Quality Control

The quality control policies and procedures applicable to a firm's accounting and auditing practice should encompass the following elements:

a. Independence, Integrity, and Objectivity
b. Personnel Management
c. Acceptance and Continuance of Clients and Engagements
d. Engagement Performance
e. Monitoring
The elements of quality control are interrelated. For example, the maintenance of Integrity, Objectivity, and, where required, Independence requires a continuing assessment of client relationships. Similarly, the element of Personnel Management encompasses criteria for professional development, hiring, advancement, and assignment of the firm's personnel to engagements, which affect policies and procedures developed to meet the objectives of the quality control element of Engagement Performance. Similarly, policies and procedures for the quality control element of Monitoring are established to provide the firm with reasonable assurance that the policies and procedures related to each of the other elements of quality control are suitably designed and are being effectively applied.

3.9.2 Existence of professional organizations
In order to be available for any career opportunity of development and continue it must have an entity that works for the organization and the introduction and development of the rules of professional and determine the qualification requirements and training and continuing education for its members to ensure the conservation entity profession and the professional development of its members to do the performance of their duties required.

Is considered the existence of strong professional organizations have main factor impact on the community in the adoption of professional standards, in all countries of the world professional associations vital role in the development of the capacity of associate through programs that put them and be of reference one, but in reality the Palestinian it facing more than a reference professional and each has its own policy In some cases, be between these professional references contradiction rather than being a role complementary to each other.

In this context, they formed Association of Accountants and Auditors of Palestinians in the Gaza Strip and the Association of Auditors in the West Bank, has had a lack of coordination between the two societies in the past, and the weakness of rehabilitation programs and training implemented, a significant role in influencing the reality and the organization of accounting and auditing profession in Palestine. Also contributed to the law of practicing the profession of auditing (9) for the year 2004 in the deepening of duplication, and the separation of the audit profession for the accounting profession through the establishment of a collective auditors which
includes auditors without accountants and ignored Assembly motherland Association of Accountants and Auditors of Palestine and the omission of any role in all of this has contributed to undermining a pillar the basic ingredients of the accounting profession in Palestine.

3.10 Effects of applying IFRS

International Financial Reporting Standards (IFRS) are an accounting methodology for preparing financial statements. This set of standards is designed to replace each country's national Generally Accepted Accounting Principles (GAAP) so financial statements from any corporation around the world can be evaluated based on the same set of accounting tenets.

3.10.1 Problems facing Palestine in the application of IFRS

1. Huge cost that will be incurred through qualifying the workforce to cope with international standards and practice and application.

2. Some companies are not able to keep up with those standards may leave it out and from the market and thus get some of the damages which may be great for the economy.

3. Palestine has special circumstances will be ignored if you follow the international standards with being a non-industrial and mostly follow the standards and delve into the world of globalization will open our markets on bare for the invasion of foreign economic and which may lead to the migration of investment and resource depletion and widespread poverty and unemployment rates higher than they are.

4. Compete with the developed world with him on its own criteria, may be reflected negatively on Palestine to follow international standards in terms of that it would not qualify to enter the U.S. market who are happy to international standards, as well as the markets of other developed countries in terms of standards that it believes that the U.S. International politicized.

5. Follow international standards by the Palestine may not pay off, please, especially that the region is politically stable and is known as the political decision does not stand in front of any Hail Whatever its durability.

6. A few of the leading institutions in Palestine to be served by these standards.
The success of these standards may contribute to bringing foreign investors but will help to enable it to fully control the long-term on the local economy and in the case of obtaining the most suitable investment areas in other countries may leave without regard for what will be led by the local economy.

3.10.2 Advantages in applying IFRS in Palestine:

1. Bring foreign investor in terms of the confidence of the mechanism of standardization.
2. Will help the Palestinian trading securities of companies in the global stock markets and entry as well as in foreign markets.
3. Will help to raise the level of performance of the Palestinian companies.
4. Will increase the efficiency of disclosure, particularly for the financial community and therefore will have a positive impact on the national economy.
5. The comparability of financial statements with other countries, especially developed countries.
6. Will help in guiding economic activities in a scientific thoughtful and fitter.
3.11 Introduction:

Auditors and accountants will face challenges unprecedented result of the globalization of businesses, and liberalization of trade restrictions, and growth pressures from various regulatory agencies, and the revolution in information, and communication technology. All these things require auditors, and accountants that preparing themselves to meet these future challenges, but the setting for the challenges of the next stage requires the development of curriculum focuses on the development of teaching skills, and personal, and communication skills of accountants, and auditors, and to encourage them to commitment by a high standard of values, and ethical standards, as required by the support and care official and regulatory authorities in the state to enact laws, and legislation that aims to ensure high-quality performance for accountants, and auditors through the development of professional standards, and the development of an appropriate implementation mechanism.

The development of accounting education is a cornerstone in the face of future challenges, and so that accountants and auditors from the face of these challenges, the accounting education must come to the fore, especially in light of the need for society to a greater number of professionals are suitably qualified, and able to face and manage future changes desired.

With regard to education accounting there is almost a consensus among specialists academics, and professionals there is a clear difference between academic education, and professional application to most scientific theories in most fields of knowledge, especially in developing countries, including Arab countries and shows this difference prominently in the field of accounting, and back mainly to gaps experienced by university teaching in terms of plans, curriculum, and teaching methods.

It is noted that in the time which saw the profession of accounting, and auditing a lot of changes and developments, did not witness accounting education any significant changes, so the accounting education as it is now requires redirection, and substantial modification to cope with the situation and the latest changes, universities are coming out professionals accountants and auditors, and this leads us to question (Are the accounting education in the Palestinian universities at the level of our economic needs, and whether graduates of these universities are the level which can lead these changes)?

3.12 Accounting education and capacity to be met in order to succeed in the accounting and auditing profession:

The Education Committee of the International Federation of Accountants (IFAC) issued an exposure draft aimed at amending the Manual of International Education No. (9) around the
former education qualification entitled (choose efficient and practical experience of professional accountants), and suggests the exposure draft that focuses on accounting education more on skills development mental, and personal and communication skills, as these skills may become necessary for accountants to be able to serve large segments in an environment characterized by ever changing in the political, social and economic, also emphasizes the draft on the need to work Platform accounting education to encourage students to develop high-level commitment to the values, and ethical standards where that the commitment to ethical standards and values is one of the most important elements of success of the profession of accounting ,and auditing in achieving its objectives in the public interest.

American Institute of Certificate Public Accountants (AICPA) issued in 1988 Bulletin entitled (educational requirements for entry in the accounting profession) have included this newsletter program illustrative of the study with a description of what should be the appropriate content for specific topics, and bulletin indicated that it should result in accounting education graduates have the proceeds of a wide range of skills and knowledge.

3.12.1 **Key components of the educational process:**

Require the development of accounting education focus on the four main components of education are:

- Curriculum.
- Faculty.
- Students.
- Universities.

3.12.1.1 **First/ the curriculum:**

The breadth of the accounting profession in terms of the nature and profession and adopt education and pre-qualification to enter the profession on the capabilities of private auditors require substantial changes to the curriculum, accountants new are not required at this time preparing financial statements are true, but ask them to also develop accounting information systems in their organizations.

And it means used in the teaching process at the moment book decision and style lectures would not be suitable for displaying information in the future, but must search for alternative ways to make students Fans of research and analytics, using means such as seminars and simulation and representation of reality and increased clerical duties and analysis of cases and the use of means modern technology.
It also requires the development of curriculum attention to the integration of subjects so that the development process include careful assessment of the topics covered in all subjects, and should not be focusing solely on the presentation of the material relevant independently but within an integrated framework of knowledge.

The policy statement identified the Council of the International Federation of Accountants on "the recognition of professional accounting qualifications" theoretical knowledge which must be at the heart of people seeking knowledge about the accounting recognition of their qualifications at least the following topics:

- Critical analysis and evaluation of the financial statements.
- Review.
- Consolidated accounts.
- Cost accounting and management accounting.
- General Accounting.
- Internal control systems.
- Legal and professional requirements concerning the exercise of specialized tasks concerned.
- Standards related to the financial statements.

**As should cover the core knowledge areas following minimum in relation to specialized tasks:**

- The basic principles of the financial management of the projects.
- Labor Economics, and the general economy, and financial economics.
- Civil law and commercial law.
- Information Technology and Systems.
- Insolvency law and similar procedures.
- Mathematics and Statistics.
- The provision of financial services and advice.
- Conduct and professional behavior.
- Tax law.
3.12.1.2 **Second/ faculty:**

A cornerstone of the second process of accounting education and this requires a dynamic faculty enjoyed a great deal of knowledge and creativity as it is located on the responsibility of this body to design and determine the contents of the curriculum and textbooks and determine the most appropriate methods of accounting education.

**The following are some of the skills that must be owned university teacher:**

- Skill Connect subject.
- Skill to communicate with students.
- Skill clarity in explanation.
- Listening to students.
- Skill reinforcement and reward.
- Skill in debate.
- Skills ask questions.
- Linguistic skill.
- Calendar skill.

3.12.1.3 **Third /Students:**

Must take into account the needs of the community of specialists in accounting when determining university admissions policies to suit the number of students admitted to the needs of the community.

Within this framework must work to focus on the quality of students who possess the skills required to allocate accounting, giving the student the necessary stimulus through a distinct curriculum on the one hand and employment on the other.

3.12.1.4 **Fourth/ Universities:**

The University is the base from which to determine the educational philosophy and objectives and therefore the means and methods through which is to determine the policies and principles of education, organization and management style and the light of the philosophy of university education is determined by the study programs and teaching topics.

Here is a must for faculty should make a great effort to develop a comprehensive accounting of the curriculum In order to achieve that universities must give appropriate rewards for the development of the accounting curriculum and provide all the capabilities necessary to do so.

Also on the management of the university's role cannot be ignored in terms of support and assistance and proper leadership to all aspects of the educational process.
The following is a study of the reality of accounting education in universities in the Gaza Strip and the study is limited to the reality of the process of education in accounting:

- Islamic University – Gaza.
- Al-Azhar University – Gaza.

**First / Islamic University:**

Create your accounting department at the Islamic University as one of the departments of the Faculty of Commerce, which opened at the beginning of the academic year 1980-1981. This section has been initially allocated shared management, accounting and were then separated and was the beginning of the graduation of the individual disciplines in the academic year 1986-1987.

The aim of the accounting department at the Islamic University students to qualify scientifically qualified enough to meet the needs of various private and public institutions of accountants who are able to practice the profession of modern scientific concepts.

**Second / Al-Azhar University:**

Accounting department was established at Al- Azhar University in the academic year 1993-1994 as one of the departments of the Faculty of Economics and Administrative Sciences.

The aim of college different divisions to meet the needs of the Palestinian society of diverse disciplines of the importance of these disciplines in advancing development and catch up with the progress of human civilization.

I have been conducting several interviews with some of the lecturers at both universities to discuss the limitations faced by the accounting profession and the necessary recommendations to make this profession are in the correct path in the service of the community and keep pace with the progress and the creation of Accountants able to practice the profession of modern scientific concepts.

**3.12.2 Problems and difficulties which face accounting education at Palestinian universities:**

1- The curriculum accounting Suffer from big deficiencies to keep pace with economic developments enormous witnessed by the world in recent years, references established in the universities either movable and translator for books draw in America or Europe or books draw in Arab countries, most of which are not Palestinian, as they mostly wrote for years ago and thus devoid of recent developments that have occurred in accountancy.

2- There have been no significant changes in accounting university education in recent years at a time which saw the profession substantial changes during these years, especially in light of the issuance of international accounting standards, and international auditing standards .And adopted by much of the world.
3- Free plans and curriculum of subjects of a professional nature as accounting and auditing standards and professional ethics, systems and laws of practice of the profession.

4- Universities suffer from a shortage of qualified academic staff number of academics from the campaign of my PhD and master's degree is limited and does not meet the needs of the Palestinian universities.

5- The universities suffer from weakness in the English language among teachers and also among students, especially in the accounting department in English which affects the collection passive and understanding undiminished among students and this requires increasing key acceptance among students in the accounting department in English in order to raise accounting profession and to increase the level of collection and understanding students.

6- There are no proportionality between the number of students and the number of academics in the universities leading to the accumulation of the students in the lecture halls, which affects their ability to attainment.

7- Weak relationship between professionals and academics and mutual lack of participation and lack of linkage between the academic side theoretical and practical side of the accounting and auditing student leading to separation from reality vocational.

8- Scarcity of scientific meetings and seminars, as well as the severe shortage of accounting publications and bulletins and magazines specializing in accounting, as well as university libraries suffer from a lack of scientific Arab and foreign references.

To improve the quality of accounting education and elevate it in Palestinian universities can propose the following:

1- Reconsider the system of accounting education so that it is developed in a direction that makes accounting effective tool of control tools and planning, and in light of the policy of the Council of the International Federation of Accountants on the recognition of qualifications accounting must be re-design of the study plans, and training programs accounting way as to increase the relative weight of the decisions of Accounting cost, and management accounting, governmental and accounting systems, financial management and quantitative methods, economics and analytical standard, should also be the focus of these plans on the rules and principles of international accounting standards and design training programs for professionals Accountants and auditors associated side academia so as to be able to provide them with the skills and experience needed in practice.

2- Reconsider the teaching and training methods currently used in the areas of accounting, auditing and focusing on practical situations methods derived from the reality of the environment and on discussions and simulation rather than merely a style lectures.

3- Adoption of specific professional standards both in the field of accounting or auditing and reconsider the curriculum and textbooks and rely on references that fit new era.

4- The provisions of modern scientific references in accounting, auditing and reconsider the curriculum and textbooks and rely on references that fit new era.

5- The necessity of building and cooperation between members of the accounting faculty at Palestinian universities with their counterparts in the Arab world and foreign, through holding seminars and scientific conferences in order to unify the terminology and to encourage scientific writing books and contributing to the joint research in accounting and auditing.
6- The need to provide qualified faculty members from both scientific theory and in the accounting and auditing.

7- Focus on the good quality of students and attract them to study accounting.

8- Give students courses on written and verbal skills and communication skills.

9- Motivate students and encourage them to search for science and knowledge of accounting and try to find logical solutions to the problems facing professional in his career and in this framework must include a method of teaching students to practice accounting process and practical situations with directing students to use modern instruments and techniques.

10- Focus on the side of scientific research in the development of accounting and auditing education and scientific research without education will remain in a state of inertia and inefficiency.

11- The need to unify the accounting terminology in the Palestinian universities and to increase cooperation and coordination between these universities, especially in the area of curriculum development and exchange of academics.

3.12.3 Process of accounting education development

The process of the development of university accounting education must be three-dimensional as follows:

- **The first dimension:** Change the objectives of this education and converts it from the traditional form, which revolves around the filler student's mind to another form of information centered on the preparation of a graduate of the capacity and queens and expertise makes him able and down the education or training himself.

- **The second dimension:** The in restructuring the curricula and study plans for the accounting departments with the development of the scientific content of the curriculum and plans either horizontally through grafted onto a set of courses that are lacking in the current plans, especially those related to the branches of other knowledge-related, such as: the economy, finance, technology and information systems. Or vertically for ways to deepen the scientific content of the specialized courses.

- **The third dimension:** The in bringing about a qualitative change and all of the methods of evaluation followed by faculty members in the direction of nearly climate teaching prevailing in the hall of the season with the prevailing climate in the work environment and how to become exam with an effective tool to stimulate the mind of the student's practical thinking and face problems as a prelude to the development of appropriate solutions her instead to devote its traditional role as the recipient data.

3.13 Professional association in the Gaza Strip:

The accounting profession like other professions have a role, prestige and importance in developed societies so established her professional associations specialized which you hold examinations qualifying for membership and is keen to raise the level of competence and professional conduct among its members and works to protect and preserve the independence of members of professional and exercise control professional them and do whatever it would offer and protect the reputation of the profession and is considered the absence of these professional associations actors one of the reasons the delay in the profession in developing countries and pushing on the dominance of official bodies it through the
imposition of government regulations governing the professional practice (legalization of the profession) and be of such laws as the standards and regulations that govern professional practice which has been the opinion of some The presence of these organizations is one of the basic ingredients of the profession.

**The absence of this association will lead to:**

1. Adoption of the members of the profession in countries where there are no effective associations largely on professional associations and institutions in developed countries either in rehabilitation or vocational training.

2. Control professional standards in developed countries and issued by professional associations in the professional practices in countries where there are no professional associations active without taking into account the fundamental differences in environmental conditions.

3. Will result in the absence of active associations to the dominance of the official authorities on the profession desire of the authorities to take this dominance means to bind economic units follow uniform accounting system.

4. The issuance of professional standards by government agencies makes it less flexible in its response to the emerging changes in environmental conditions due to the difficulty modify the appropriate laws quickly.

Will be recognized professional associations in Palestine in terms of its inception and its objectives, the nature of its activities and achievements and its role in the organization of professional practice will also identify the government agencies that have a direct relationship with the auditing profession and through the study of the following associations and bodies:

1. The Association of Accountants and Auditors Palestinians.


3. General Supervisory Board.

4. Arab institute of Certified Public Accountants (AICPA).

5. PMA.

3.13.1 First / Society of Accountants and Auditors Palestinian:

This association was founded in Palestine suffered in 1979 under the name of the Society of Chartered Accountants and Auditors Arabs in the Gaza Strip and its president Gaza City, a professional association enjoys independent legal personality and have the right to own and dispose of the money and rights has been one of the most important goals:

1. Working to raise the level of the profession and the development of sound rules exercised in accordance with the scientific and practical assets.
2 - Work to raise the professional level of all the ways in which the accountant to ensure that.

3 - The establishment of scientific conferences and seminars aimed to give opportunities for scientific debate and find the right solutions to the various problems and issues and public awareness of its importance and benefits of proper accounting regulation.

4 - The development of a spirit of cooperation among the members of the Assembly and seek to care them affairs.

5 - Public awareness of the importance and benefits of proper application of accounting.

6 - Longer income-generating projects to serve the Association and its members.

7 - Active participation in the meetings of Arab and international professional to represent Palestine and coordination with similar associations.

Have identified Association of Accountants and Auditors set of conditions Palestinian right becomes available to the person applying for membership of the Association for membership

- Be a fully qualified civil.
- That has a good reputation and conduct and did not issue right judgments or decisions of the disciplinary final dishonorable reputation or profession.
- Be holds a Bachelor of Commerce Division of Accounting from a recognized university or its equivalent in the same division on the equation to be issued by the competent ministry.
- The payment of subscription and membership fees and the performance of the department and is considered the date of payment is the history of organic.

In order to regulate the profession Assembly has organized two records are two registered members devoted one of Accountants and the other devoted to the reviewers Assembly has identified a set of conditions for registration in the register of auditors:

- To work for a period of at least two years in one of the accounting firms approved and approved by the Board of Directors Association.
- Labor government administrative device in financial circles internal audit department for at least two years.
- Conduct the audit profession in public institutions and companies to contribute for at least two years.

3.13.2 Second / Arab Society of Certified Accountants (ASCA):

Founded Arab Society of Certified Public Accountants as an accounting Arab independent international according to the highest ethical and professional standards and internationally recognized in order to work on the rehabilitation of accountants working in the Arab world through exams professional based compound holding them regularly in a number of Arab countries have identified the compound of his goals as follows:
• Work on the development of the profession of accounting and financial management and all other relevant sciences as applied in all or most of the services provided by professional accountants whether they work at accountant or working in the sectors of industry and commerce or public services around the world.
• Continue to work in order to achieve the highest levels of efficiency in the practice and dissemination of the issue of the implementation of international standards between all the members belonging to the society.
• Members of the defense and protection of the compound in terms of professional independence, as well as to carry out supervision and professional guidance to members of the society.
• Hard work for the purpose of coordination with other professional associations and work in order to get a handle on mutual recognition of membership.
• The continued hard work and the purpose of the development of the profession through training sessions, professional conferences and dissemination of all that is new in the world of the profession.

3.13.3 Third / PMA:
The establishment of the Palestinian Monetary Authority in late 1994 to reflect the perception leadership of the importance of having a national authority tasked with monitoring banking activities and work to find a strong banking works efficiently and contributes effectively to strengthen efforts to rebuild and develop the Palestinian economy by the Palestinian Authority in solidarity with the Palestinian private sector.

Monetary Authority targets:

• PMA aims to build a banking and monetary system, ensure stability and promote economic growth in the Palestinian territories through the following means:
• Organize and Cash Management.
• The necessary monetary policy report.
• National Authority maintains a reserve of gold and foreign currency and administration.
• To maintain an effective banking system and a safe and sound.
3.14 Effects of IFRS on Internal Auditing

3.14.1 Introduction

Among recent significant development in the corporate world is the adoption of IFRS. Although due to recession, the senior management`s focus was temporarily diverted, but gradually with revival of economy, this issue has again come to have top priority. Besides the attention and work of the senior management, it also requires thoughtful oversight by Audit Committees and Boards.

3.14.2 Impact of IFRS on the organisation

The transition of the IFRS, more than a technical exercise, is a business transformation process that goes beyond debit and credit of transactions. Besides its effect on financial statements and disclosures, it will have a substantial impact on every aspect of the organization including its systems and processes, business practices, internal control, IT and human resource management.

Increased disclosure requirements could result in a significant amount of changes to the existing framework and documentations. Revenue recognition, leases, consolidation, and pension are among the areas where companies may need to rethink certain business operations, strategies, and agreements as a result of transition.

3.14.3 Impact on Internal Audit department

Though the transition to the IFRS and the responsibility of making appropriate accounting treatments and necessary disclosures comes within the purview of accounts department, internal auditors do play an important role in the entire process. Though accounts department is well-places to understand the impact of the IFRS convergence, Internal Auditors should be there to assist them. Challenge the process and make sure that companies are doing everything they should do.

To move forward with such a significant project, companies and their internal auditors should together need a clear understanding of applicability, end requirements and implications of the IFRS on the systems and processes and the emergence of any critical business issues. They can
be by conducting a high-level review to assess how major accounting changes would affect accompany, its financials, its processes and internal control structure.

They can review the processes which need re-engineering to assess the extent of necessary changes and whether internal controls are redesigned effectively and efficiently to address new risks associated with the new process. Here, the Internal Auditors can play an important role in working towards a smooth and efficient transition. They should make sure to let all factors and impacts, including necessary accounting and IT changes be considered.

3.14.4 Responsibility of Internal Auditor in the IFRS Transition

Entire conversion process is a large-scale project and its success depends on the implementation of a strong project management. It requires developing a conversion plan which includes defining the project goals and objectives, identifying tasks and methods, quantifying the resources needed, involving all key players for critical decision making and determining budgets and timelines for completion. This will also include managing the implementation of the project and suggesting recovery actions wherever required.

While the IFRS project will live in the accounting area, internal audit must be key player because of its pervasive impact on the organization's internal control environment. Here is the way internal auditors should seek to get involved in their organizations.

3.14.5 IFRS implementation project:

1- During the pre-implementation phase:

The first action step for internal auditors is to ensure whether the organization has a comprehensive and well-defined action plan for the conversion. The plan should cover all key elements like scope, objectives, staffing, cost, risk factors and critical criteria. The internal auditors should thoroughly review the plan its key elements to ensure their company is appropriately prepared to undertake the project.

They should check if the plan answers the following important questions:

1- Have all critical areas to be impacted by the IFRS convergence been identified such that appropriate analysis, time and resources are allocated to those areas?
2- Will the project be managed with existing staff resources or should the entity employ external consulting services to manage the project? How many dedicated resources are required?

3- How does the capacity building of the team should be made?

4- What is the total cost of the convergence?

5- How often and in what manner will the senior management, the audit committee and board of directors be updated on the progress of the IFRS convergence project such that progress may be assessed and issues dealt with on a timely basis?

6- Has the authorities and responsibilities been clearly identified and defined?

Review procedures to be carried out by the internal auditors include:

1- Ensuring proper controls are in place.
2- Reviewing management’s budget to ensure necessary expenditures are included.
3- Reviewing schedules and timeline set to ensure timely completion.
4- Performing readiness testing.
5- Testing the adequacy of change management programme.
6- Review that the plan is managed effectively and efficiently.

2- During the implementation phase:

Internal auditors have an important role to play in the implementation phase. Internal auditors should join the implementation team in debating the applicability of the IFRS to ensure that the IFRS has been correctly interpreted. Internal auditors should closely monitor the implementation of the IFRS and identify processes, systems and controls impacted by it.

They need to understand the changes that have been carried out in the system and process flows and update these changes in the process and system document. Further, the internal auditors need to test the new design and implementation of internal controls to ensure that controls are working effectively in the changed environment.
3- During the post – implementation phase:
After the implementation phase, internal auditors should re-evaluate the entire process flow of all activities right from its initiation till its inclusion in the IFRS statements. It should test the internal control structure in order to provide assurance to the management that the revised internal control structure works properly and yields accurate financial reports.

3.15 Effects of IFRS on External Auditing

3.15.1 Introduction
The adoption of IFRS will also have an impact on external audits, especially for those countries that have not converged to IFRS in their local accounting standards. Not only are accounting firms going through the same learning curve as corporate clients with respect to using and interpreting IFRS, but those firms need to be able to assist their clients through the transition while maintaining their objectivity and independence. At the same time, accounting firms will need to be alert to the risk of material misstatement in the financial statements. When carrying out an audit with a client reporting using IFRS, external auditors need to be aware of opportunities for manipulation of results.

3.15.2 Areas to watch
First, IFRS 1: First Time Adoption of IFRS. Management may deliberately understate provisions in the local GAAP accounts by making ‘errors’, the corrections of which will subsequently go to retained earnings on transition, resulting in expenses that are never recognised in the statement of comprehensive income. Management may also be exploiting the flexibility of the Statement of Comprehensive Income format to give undue prominence to certain measures of profit under IAS 1: Presentation of Financial Statements. One of the areas entities can take advantage of is IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. Management may correct deliberate misstatements impacting profit in the subsequent period by insisting on retrospective adjustments (in a subsequent period, restatement impacts comparatives, and not reported results).

What is the potential for abuse on adoption of IAS 16: Property, Plant and Equipment? Entities can maximise gross revaluation reserve debits transferred to retained earnings to maximise
remaining credits available to offset future impairments, or allocate revaluation reserve credits to assets most likely to decrease in value (or otherwise be unspecific in allocation). From experience, there are entities that overstate provision for decommissioning/restoration of assets at cost at transition date with subsequent corrections taken through the statement of comprehensive income.

3.15.3 More complex standards

Take the more complex accounting standard, IAS 39: Financial Instruments: Recognition and Measurement. Here, entities may classify unprofitable traded instruments as either held to maturity or available for sale, or retain the general component in the allowance for doubtful debts (which is generally not permitted under IAS 39). Entities may also re-allocate instruments between trading, available for sale and held to maturity to achieve their desired outcome.

In terms of hedging, management may backdate hedge accounting documents so that they can be prepared with the benefit of hindsight and allow hedge accounting from an earlier date. For those companies which adopt IFRS 9: Financial Instruments (effective 1 January 2013) directly, care should also be taken in reviewing the classification and measurement of these financial instruments. IFRS 13: Fair Value Measurement, which was recently issued by the International Accounting Standards Board (IASB) establishes a single source of guidance for measuring fair values under IFRS. External auditors must obtain the involvement of valuation specialists to assist in these audits to ensure valuation models are appropriate and management inputs as well as assumptions used in those models are reasonable, while the audit team can review the requirements for disclosures on fair value measurements for consistency. In applying another related standard IAS 32: Financial Instruments: Presentation, entities may restate compound financial instruments between debt and equity in order to achieve the desired outcome (debt to maximise deductible interest, equity to maximise profits), depending what management is pressured to present in the financial statements.
CHAPTER FOUR

INTERVIEWS, FINDING, AND RECOMMENDATIONS
4.1 Introduction

In this chapter we will introduce our case study which is about Al-multazem for Insurance and Investment Company, in addition we will discuss our interviews which performed to support the previous theoretical parts, we performed three interviews and they was as following:

1- Mr. Ramadan Al-Omari, FCCA, lecturer in Islamic university of Gaza.
2- Mr. Emad Abu-shaaban , lecturer in Al-Azhar university.
3- Mr. Hazem Alayan, Assistant Manager at Ernst & Young.

After that we will summarize our research and state findings and recommendations.

4.2 Case study

*Al multazem Insurance & Investment P.L.C.*

Information gathered by an interview with its financial officer Mr. Raed Al Hello

4.2.1 Activity of the company

Al multazem is publicly held company it aims to achieve solidarity and cooperation to reduce dangers that affects members and the society, thereby providing insurance services according to Islamic instructions, and it is conduct investments there by providing many services for public as long-term lease, trading in fixed assets, participate in profitable projects, and others.

4.2.2 Mission

Al multazem for insurance and investment is a national company, aims to overcome needs of insurance and investment services on a base doesn’t deal with Reba, and to implement cooperation insurance concept according to Islamic instructions.

4.2.3 Features of the company

- It works under the supervision of Islamic control committee, to ensure implication of Islamic regulations and instructions.
- Dividing the insurance surplus on participants.
- Separation between shareholders money and participants.
- Providing a distinguish services for clients.
• Distinguish management and staff.
• Rapidness in paying for those who suffer of damage.

4.2.4 Values of the company

• Transparency: clearness of financial practices and disclosure about all information to users.
• Excellence and creativity: providing services in a distinguish way through distinguish insurances covers.
• Commitment: it is the way of the company to success.
• Leadership: leading the time collectively.
• Development: continual development of performance.

4.2.5 company`s obligations

1- Achieve participant’s interests in a way that guarantee cooperation between them in the case of insured damage occurred.

2- Organizing of insurance operation in a way that divide surplus on participants according to board of directors instructions.

3- Invest money received, surpluses, reserves, and net yield of investments.

4.2.6 Accounting policy of the company

The company adapt International accounting standards as a base of its accounting policy as a result it trying to be consistent with IFRS, It try to keep continual development on its accounting policy thereby following any amendments on standards, nature of the company limit the opportunity to completely adapt the IFRS but it still apply a significant part of it, especially if it is consistent with standards for institutions that works under Islamic regulations.
4.3 Interviews

4.3.1 Interview with Dr. Ramadan Al-Omari, FCCA, lecturer in Islamic university of Gaza.

4.3.1.1 About the interviewee

Ramadan Al-Omari has 42 years of experience in training and finance. Mr. Al-Omari started his career with the United Nations in September 1969 as an instructor of Accounting at the Kalandia Training Centre in West Bank, which is run by the United Nations Relief and Works Agency (UNRWA). In March 1977, he moved to Kuwait where he took the job of Training Supervisor that made him responsible for management and financial training in Kuwait Oil Company, the largest oil producing company in the country. In August 1984, Mr. Al-Omari rejoined UNRWA as a local staff member to hold the post of Claims Examination Officer in the Gaza Field Finance Department. He progressed within UNRWA Finance Department until he took his first P-4 international appointment in November 1994 when he became the Agency’s Deputy Chief Accounts Division in UNRWA’s Finance Department at its Headquarters in Vienna where he served for some eight years. In 1996 UNRWA headquarters were moved to the area of operations where the HQ functions were relocated to Gaza Strip. Mr. Al-Omari holds a Master’s degree in Accounting and Consultancy from Northampton University, UK, a BSc degree in Accounting from Cairo University, in addition to holding the title FCCA as a fellow member of the UK Association of Chartered Certified Accountants. Since his retirement from UNRWA in September 2009, Mr. Al-Omari has been working as a Lecturer at the Faculty of Commerce in the Gaza Islamic University.

4.3.1.2 Summary of Interview

Mr. Ramadan Al Omari Said: that such standards do not exist or are not important in the curriculum of accounting in all universities in the Gaza Strip, and this is a significant shortfall and deficiencies in the curriculum, where this imbalance affects the reputation of the university and the ammunition accounting acquired by the student from his studies at the University which is considered somewhat incomplete.

He also said that in this time accounting relies heavily on the principles of disclosure and the extent of understanding of accounting principles and standards and the ability to respond to the
international financial reporting standards (IFRS), especially for medium and large companies listed on the stock market.

Mr. Ramadan Al Omari Said: that which bears the responsibility for failure the study on existence of curriculum and teaching accounting standards are the same university, including the Quality Management Department at the university curricula.

He said that it is supposed to teach a course International Financial Reporting Standards on two consecutive months at the university for graduate students are able to understand the accounting labor market and the enormous development that has plagued the accounting profession.

Mr. Ramadan Al Omari said: that it is possible to be a reason for the lack of teaching and student learning course of international accounting standards and international financial reporting standards (IFRS) is the lack of teaching staff can explain this huge flag bellows renewed for students.

When asked about the reason for the gap faced by accounting student when coming on to the labor market there is no sufficient link between theoretical science and practical application, he explained that the reason for this is due to several things:

- Accounting that most of the teachers in the universities lack the practice of the profession and education is limited only to the theoretical science, which makes this gap and fear at the student in the event of coming on to the labor market.

- That universities do not coordinate with civil institutions and companies in order to accommodate the student for as long as training to help him succeed in getting rid of the gap.

Mr. Ramadan Al Omari said: that the accounting student bears no small part of the responsibility, as the only student just as have learned enter the university does not want to add any external information by reading, and participation in scientific conferences and symposia.

And which related for students, especially the accounting department in English and suffers from a lack that weak students and non-qualified in the English language, and this requires them to learning the courses in English, so that they are able to understand what he's talking university lecturer during the lecture.
4.3.2 Interview with Mr. Emad Abu-shaaban, lecturer in Al-Azhar university.

4.3.2.1 About the interviewee

Mr. Emad Abu-shaaban a lecturer in Al Azhar university in Gaza, he has a master degree.

He also teaching in Accounting department, English division, he teaching auditing, intermediate accounting, international accounting, advanced accounting.

4.3.2.2 Summary of interview

Mr. Abu-shaaban see that accounting education in Gaza suffer from many problems, types and nature of the curriculum is the main problem, some subjects such as accounting theory should not be studied for undergraduate students, students in our universities are stressed with useless subjects that come in expense of Accounting Standards mainly IFRS studying.

Also he said that existence of English department is an indicator of development of education because books taught is from the origin source of accounting knowledge, and studying in English will be an opportunity for more searching and learning.

He is not attracted with adding a special course for standards instead he suggest to more focus on standards in each subject and link between standard and subject, and ask student to do their graduation research in one of IFRS for deep understanding and putting first step in the road of dealing practically with accounting standards.

Focusing in linking theoretical and applicable knowledge is one way suggested by Abu-shaaban to overcome the problem of lack skills accountants.

There is a need to modify curriculum in somehow continually to cope with rapid development and changes in standards.
4.3.3 Interview with Mr. Hazem Alayan, Assistant Manager at Ernst & Young.

4.3.3.1 About the interviewee

Mr. Hazem Alayan is the assistant manager of Ernst & Young in Gaza strip, and he is the lecture of auditing in Islamic university of Gaza.

4.3.3.2 Summary of Interview

Mr. Alayan said that the auditor is not responsible for forcing his client to adapt IFRS, but he is responsible to insure fairnesses of financial statements, and it should be made in accordance with IFRS, local auditors don’t care about standards implemented and wither their clients converged to IFRS or not, and the secret of success of Big 4 is that they work according to update standards which is IFRS now, also he said that the big audit firms refuse to deal with such companies as adversely affect the reputation of the auditing firm., this behaviour may cause a loss of some clients but it build a reputation for CPA firms.

He added, the attempt to keep and tract new clients is one of the problems that affect IFRS implication in Gaza, another problem lake of experience and skills of accountants is also reduced persuasiveness of IFRS implication, even some auditors can’t understand and deal with certain standards, also internal auditors is not responsible for the type of standard applied within the entity.

Mr. Hazem explained for fees charged by the company plays an important role in the selection of the appropriate client, who wants the high and the credibility of the audit and follow the International Financial Reporting Standards (IFRS).

Problems that face IFRS implication are:

1- Lake of awareness of IFRS, its importance, and how to apply.
2- Lake of accountants’ qualifications.
3- Absence of an enforced low.
4- Absence of professional institutions.
5- Modernity in Palestinian economy.
4.4 Research finding and recommendations

4.4.1 Research finding:

We conducted our research in hope that we will reach to a clear result that highlights the overall condition of IFRS implication in Gaza, there are many researches that tacked into consideration pure analytical perspective, what we tried here is to be more identifiable and to touch the core of the research problem, to find out main and major factors that affects IFRS implication and would affected by IFRS implication.

Through our work we noticed that the environment in Gaza strip is not so ready to adapt IFRS completely, and if it is applied many changes is required.

Our findings can be classified in the following points:

1- According to IFRS implication accountants are required to maintain adequate professional Knowledge, and continual learning.
2- Adapting IFRS increases the reliability of financial reporting, and enhancing the control over financial reporting.
3- Implementation of IFRS needs a continual improvement of subjects on university to be up-to-date with standards.
4- More focus on standards in general and IFRS particularly in training students is required.
5- IFRS implication has a significant impact on auditors in manner of convincedment for their clients to convert to IFRS.

4.4.2 Research recommendations

The following are recommendations that we suggest to avoid bad effects of IFRS implication, and enhancing better understanding of IFRS implication to grape benefits behind its implication:

1- We recommend applying IFRS.
2- Accountants have to pursue continual learning, to enhance their skills for more reliable adaption of IFRS, which will directly affect reliability of financial statements.
3- We recommend stating a law that force IFRS Adoption.
4- Activation of the role of professional institution.
5- The inclusion of science disclosure standards and international financial reporting standards (IFRS), accounting standards in the curriculum, and the teaching of this course.

6- Try to develop skills of students in the English language, and work sessions for students in this area, in coordination with training centers and specialized professors.

7- Try to raise the key to the accounting department coordination, and test work for students in the English language.

8- Linking science academic life process as much as possible so that does not surprise the student upon graduation the gap, that is done through hands-observer actually from the university.
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