

Accounting professional and ethical standards update

NIA Chinese Delegation

Melbourne, 2 December 2010

Channa Wijesinghe
MBA, CPA, CA
Technical Director

APESB 
Accounting Professional & Ethical Standards Board

Overview

- APESB background
- Structure of APESB Pronouncements
- APESB Pronouncements to date
- APES 110 Code of Ethics for Professional Accountants
- APES 225 Valuation Services
- APES 220 Taxation Services

APESB Background

- Established in February 2006 as an initiative of ICAA & CPA Australia
- NIA became a Member in December 2006
- Previously professional and ethical pronouncements were developed by the professional bodies
- Members of the three bodies are required to comply with APESB pronouncements and subject to disciplinary procedures of the relevant professional body

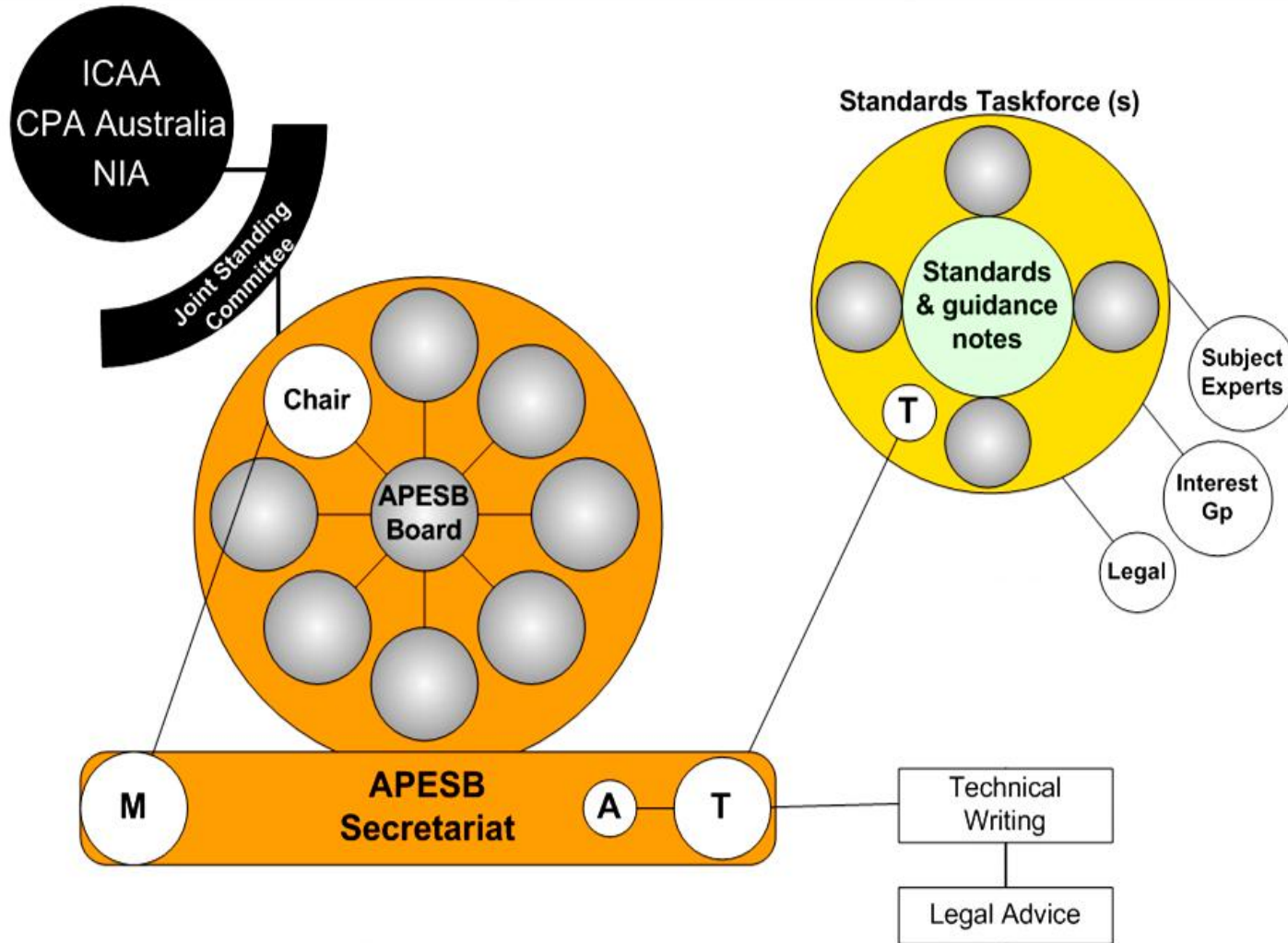
APESB Vision

“To be recognised by our stakeholders for our leading contribution in achieving the highest level of professional and ethical behaviour in the accounting profession”

Board Composition

- Independent Chair
- Two Directors CPA Australia
- Two Directors ICAA
- One Director NIA

APESB Functional Structure

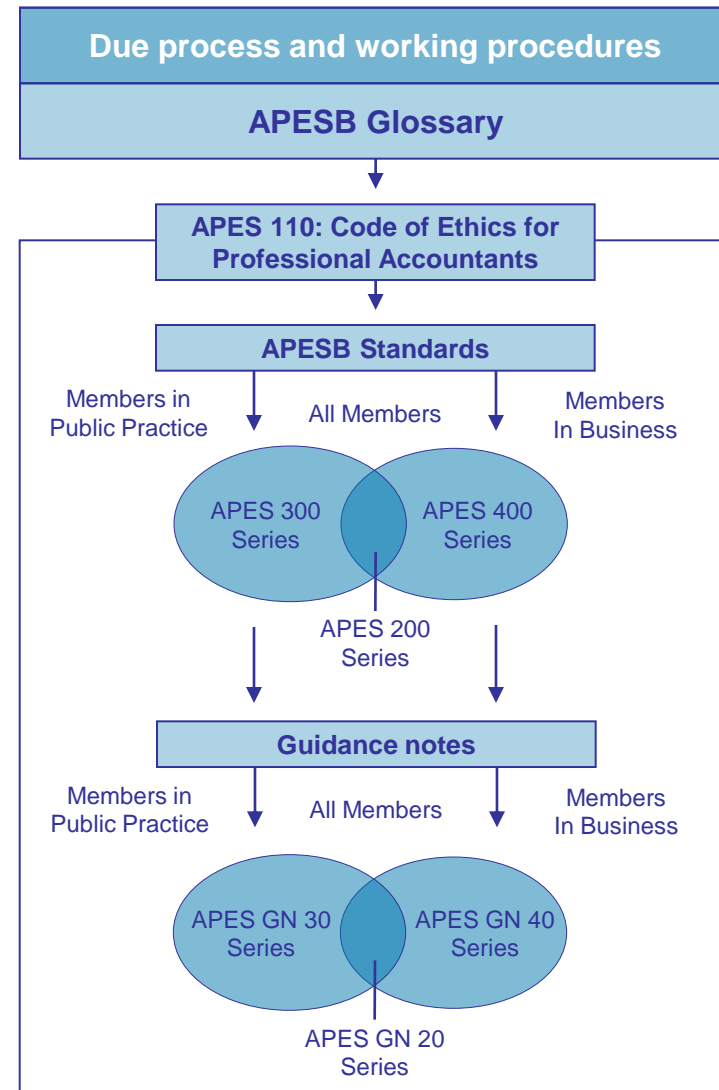


Structure of APESB pronouncements

- **Conceptual Framework**
 - Principles based
 - Mandatory for professional accountants

- **Standard**
 - Introduces principles
 - Mandatory requirements in black letter
 - Guidance and/or explanation in grey letter

- **Guidance notes**
 - Do not introduce new principles
 - Guidance on a specific matter on which the Principles are already stated in a Standard
 - Guidance is only in grey letter



APESB Pronouncements to date

All members

- APES 110 Code of Ethics
- APES 205 Conformity with Accounting Standards
- APES 210 Conformity with Auditing Standards
- APES 215 Forensic Accounting Services
- APES 220 Taxation Services
- APES 225 Valuation Services
- APES 230 *ED Financial Advisory Services*

APESB Pronouncements to date

Members in Public Practice

- APES 305 Terms of Engagement
- *APES 310 ED Client Monies (Project in progress)*
- APES 315 Compilation of Financial Information
- APES 320 Quality Control for Firms
- *APES 330 Insolvency Services*
- APES 345 Reporting on Prospective Financial Information
- APES 350 Due Diligence Committees

APES 110 Code of Ethics

- **Part A: General Application**
- **Part B: Members in Public Practice**
- **Part C: Members in Business**

APES 110 Code of Ethics

Part A: General Application

Conceptual framework to the Code

- Fundamental Principles
 - Integrity
 - Objectivity
 - Professional competence and due care
 - Confidentiality
 - Professional behaviour

APES 110 Code of Ethics

- **Threats to fundamental principles**
 - Self interest threat
 - Self review threat
 - Advocacy threat
 - Familiarity threat
 - Intimidation threat

APES 110 Code of Ethics

- **Safeguards**
 - created by the profession, legislation or regulation
 - within the client or employer
 - within the firms own systems and procedures

APES 110 Code of Ethics

Part C: Members in Business

- Section 310 – Potential Conflicts
- Section 320 – Preparation and Reporting of Information
- Section 330 – Acting with Sufficient Expertise
- Section 340 – Financial Interests
- Section 350 – Inducements

APES 225 Valuation Services

APES 225 Valuation Services

Australian perspective

- ATO
 - Market Value Guidelines (2002)
- ASIC
 - RG 111: Contents of experts reports (Oct 2007)
 - RG 112: Independence of experts (Oct 2007)
- APESB
 - *APES 225 Valuation Services* (July 2008)
 - *APES 110 Code of Ethics for Professional Accountants* (June 2006)

APES 225 Valuation Services

International perspective

- CICBV
 - Standards 110, 120 and 130
- IVSC
 - International Valuation Standards
- ICANZ
 - Independent Business Valuation Engagements (2001)
- AICPA
 - Standards for Valuation Services (June 2007)

APES 225 Valuation Services

Scope and application

- Engagement → Members in Public Practice
- Assignment → Members in Business
- Mandatory for the Members of the three Professional Bodies
- Effective for Valuation Engagements or Assignments commencing on or after 1 January 2009
 - All Members who provide an estimate of value for a business, business ownership interest, security or intangible asset are required to comply with APES 225

APES 225 Valuation Services

Key Definitions

- Valuation linked to:
 - Valuation Approaches
 - Valuation Methods
 - Valuation Procedures
- Three types of Valuation Services:
 - Valuation Engagements
 - Calculation Engagements
 - Limited Scope Valuation Engagements

APES 225 Valuation Services

Key Definitions cont.

- Results:
 - Valuation Engagement & Limited Scope
 - Valuation Engagement → Conclusion of Value
 - Calculation Engagement → Calculated Value
- Valuation Report:
 - Written or oral communication containing a Conclusion of Value or a Calculated Value

APES 225 Valuation Services

Reporting

- Mandatory for Members in Public Practice (para 5.1)
- Guidance for Members in Business (para 5.5)
- Reports can be written (para 5.2) or oral (para 5.3)

APES 225 Valuation Services

Reporting cont.

- Key report disclosures from para 5.2 are:
 - Usual disclosures – scope, basis, purpose, limitations etc.
 - Whether acting independently or not
 - Material assumptions and basis of those assumptions
 - Valuation approaches adopted
 - All qualifications that materially affect the Conclusion of Value or Calculated Value
 - Valuation Services conducted in accordance with the Standard
 - Para 5.4 provides additional disclosures to consider

APES 225 Valuation Services

Use of a glossary of business valuation terms

- When issuing a Valuation Report define the terms used
- Members are referred to the *International Glossary of Business Valuation*

What constitutes a valuation service

- Refer appendix for examples

APES 220 Taxation Services

APES 220 Taxation Services

- Formerly APS 6
- Applies to accountants working in public practice as well as now scope extended to members in business
- Includes mandatory requirements and guidance for Taxation Services
- Operative on or after 1 July 2008

APES 220 Taxation Services

- Taxations Services to a Client or Employer defined as:
 - preparation of return, notice, statement or similar document
 - preparation of tax calculations for financial statements
 - tax planning and other tax advisory
 - assistance in resolving tax disputes

APES 220 Taxation Services

- Preparation and lodgment of returns to Revenue Authorities
 - returns shall be prepared in accordance with information provided by Client, their instructions and tax law
- Members must not be involved in tax schemes and arrangements which are not within the law
- Use of estimates in preparation of revenue returns
 - Shall not prepare or be associated with such estimates unless use is generally accepted or impractical to obtain exact data
- Members obligations in respect of false and misleading information

APES 220 Taxation Services

- Professional obligations in respect of Client monies and prohibition against applying tax refunds to settle amounts due unless prior client approval has been obtained
- Preparation of work papers to document the work performed

Questions?

For more information visit:

www.apesb.org.au

Contact:

Channa Wijesinghe

Technical Director

APESB

Tel: 03 96424372

Email: channa.wijesinghe@apesb.org.au

