

EXAMINABLE PRONOUNCEMENTS

9 EXAMINABLE PRONOUNCEMENTS: PPE 2010

9.1 AUDITING, ASSURANCE AND RELATED SERVICES

The IRBA in South Africa has adopted the full suite of International Engagement Standards (IESs) issued by the International Audit and Assurance Standards Board (IAASB) with effect from 1 January 2005 as well as any new or revised Standards issued subsequently by the IAASB, including the redrafted Standards issued in terms of the IAASB's clarity project. The International Engagement Standards (IES) consist of:

- International Standards on Quality Control (ISQC);
- The International Framework for Assurance Engagements;
- International Standards on Auditing (ISA);
- International Standards on Review Engagements (ISRE);
- International Standards on Assurance Engagements (ISAE);
- International Standards on Related Services (ISRS); and
- International Auditing Practice Statements (IAPS).

The International Engagement Standards, as revised and redrafted following the completion of the IAASB's clarity project, as well as South African Auditing Practice Statements (SAAPs), are contained in the **SAICA Handbook 2009/2010 Volume 2**. This text includes all Standards issued up to 30 November 2009. This Handbook is to be used by candidates for purposes of the **PPE 2010**.

STANDARDS ON QUALITY CONTROL, AUDITING, ASSURANCE AND RELATED SERVICES

IES	Title	PPE 2010
PREF	Preface to The International Standards On Quality Control, Auditing, Review, Other Assurance And Related Services (effective as of December 15, 2009)	Examinable
GLOSS	Glossary of Terms (February 2009)	Examinable

INTERNATIONAL STANDARDS ON QUALITY CONTROL

ISQC	Title	PPE 2010
1	Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements	Examinable

INTERNATIONAL FRAMEWORK FOR ASSURANCE ENGAGEMENTS

Framework	Title	PPE 2010
FRAME	International Framework for Assurance Engagements	Examinable

AUDIT AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION

International Standards on Auditing (ISA's)¹

General Principles and Responsibilities (200 – 299)

ISA	Title	PPE 2010
200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing	Examinable
210	Agreeing the Terms of Audit Engagements	Examinable
220	Quality Control for an Audit of Financial Statements	Examinable
230	Audit Documentation	Examinable
240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	Examinable
250	Consideration of Laws and Regulations in an Audit of Financial Statements	Examinable
260	Communication with Those Charged with Governance	Examinable
265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	Examinable

Risk Assessment and Response to Assessed Risks (300 – 499)

ISA	Title	PPE 2010
300	Planning an Audit of Financial Statements	Examinable
315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	Examinable
320	Materiality in Planning and Performing an Audit	Examinable
330	The Auditor's Responses to Assessed Risks	Examinable
402	Audit Considerations Relating to an Entity Using a Service Organization	Examinable
450	Evaluation of Misstatements Identified during the Audit	Examinable

Audit evidence (500 – 599)

ISA	Title	PPE 2010
500	Audit Evidence	Examinable
501	Audit Evidence—Specific Considerations for Selected Items	Examinable
505	External Confirmations	Examinable
510	Initial Audit Engagements—Opening Balances	Examinable

¹ Clarity ISAs – Effective for audits of financial statements for periods beginning on or after 15 December 2009.

ISA	Title	PPE 2010
520	Analytical Procedures	Examinable
530	Audit Sampling	Examinable
540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures	Examinable
550	Related Parties	Examinable
560	Subsequent Events	Examinable
570	Going Concern	Examinable
580	Management Representations	Examinable

Using work of others (600 – 699)

ISA	Title	PPE 2010
600	Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)	Examinable
610	Using the Work of Internal Auditors	Examinable
620	Using the Work of an Auditor's Expert	Examinable

Audit conclusions and reporting (700 – 799)

ISA	Title	PPE 2010
700	Forming an Opinion and Reporting on Financial Statements	Examinable
705	Modifications to the Opinion in the Independent Auditor's Report	Examinable
706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	Examinable
710	Comparative Information—Corresponding Figures and Comparative Financial Statements	Examinable
720	The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements	Examinable

Specialised areas (800 – 899)

ISA	Title	PPE 2010
800	Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	Examinable
805	Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	Examinable
810	Engagements to Report on Summary Financial Statements	Examinable

International / South African Auditing Practice Statements (1000 – 1100)

IAPS	Title	PPE 2010
1000	<i>Inter-bank confirmation procedures</i>	<i>Not Examinable</i>
1004	<i>The relationship between banking supervisors and banks' external auditors</i>	<i>Not Examinable</i>
1005	The special considerations in the audit of small entities	Examinable
1006	<i>Audits of the financial statements of banks</i>	<i>Not Examinable</i>
1010	The consideration of environmental matters in the audit of financial statements	Examinable
1012	Auditing derivative financial instruments	Examinable
1013	Electronic commerce –effect on the audit of financial statements	Examinable
1014	Reporting by auditors on compliance with International Financial Reporting Standards	Examinable

South African Audit Practice Statements

SAAPS	Title	PPE 2010
SAAPS 1	<i>Quality control</i>	<i>Not Examinable</i>
SAAPS 2 (Revised)	<i>Financial reporting frameworks and audit opinions</i>	<i>Not Examinable</i>
SAAPS 3 (Revised)	<i>Illustrative auditors report</i>	<i>Not Examinable (see Note 1)</i>
SAAPS 4	Enquiry regarding litigation and claims	Examinable
SAAPS 5	<i>Reporting on donor funding engagements</i>	<i>Not Examinable</i>
SAAPS 1100	Bank confirmations	Examinable

Note 1

SAAPS 3 "Illustrative Independent Auditors Reports" was issued in March 2010 to revise and update SAAPS 3 contained in Volume 2 of the SAICA Handbook 2009/2010. It is recognised that the March 2010 revision of SAAPS 3 deals with auditor's reports drafted prior to the clarity / redrafted ISA 700 taking effect. The Committee for Auditing Standards is currently in the process of updating SAAPS 3 to incorporate the requirements of the redrafted ISA 700. It is also recognised that for much of 2010 the pre-clarity audit report format will be used when issuing audit reports.

Accordingly, for the PPE 2010, candidates may make reference to either revised SAAPS 3 issued in March 2010 OR revised SAAPS 3 containing the amendments to align with the clarity / redrafted ISA 700 (to be issued during 2010). Both audit report formats will be acceptable for the PPE 2010. As these Practice Statements are not contained in the SAICA Handbook 2009/2010, candidates should supply their own copies for purposes of open-book assessment.

International standards on review engagements (ISRE) (2000 – 2699)¹

ISRE	Title	PPE 2010
2400	Engagements to review financial statements	Examinable
2410	Review of interim financial information performed by the independent auditor of the entity	Examinable

ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL STATEMENTS

International Standards on Assurance Engagement (ISAEs) (3000 – 3699)²

ISAE	Title	PPE 2010
3000	Assurance engagements other than audits or reviews of historical financial information	Examinable
3400	<i>The examination of prospective financial information</i>	<i>Not Examinable</i>
3402	Assurance Reports on Controls at a Service Organization	Examinable (Note *)

Note *: This Standard is not contained in the SAICA Handbook 2009/2010. Candidates should **supply their own copies** of this Standard for purposes of open-book assessment.

RELATED SERVICES

International standards on related services (ISRS) (4000 – 4699)³

ISRS	Title	PPE 2010
4400	Engagements to perform agreed-upon procedures regarding financial information	Examinable
4410	Engagements to compile financial statements	Examinable

9.2 LEGISLATION

The Companies Act No.61 of 1973, as amended, is examinable for PPE 2010. The Corporate Laws Amendment Act No 24 of 2006 is also examinable.

The Companies Act No.71 of 2008 is **not** examinable for PPE 2010 as this Act is only anticipated to become effective after July 2010.

The Close Corporations Act is **not** examinable for PPE 2010.

The Auditing Profession Act (2005) is examinable for PPE 2010.

¹ These ISRE standards are pre-clarity format

² These ISAE standards are pre-clarity format

³ These ISRE standards are pre-clarity format

9.3 CODE OF GOVERNANCE PRINCIPLES – KING III REPORT

The Code of Governance Principles of the King III Report is examinable for PPE 2010 as the Code is effective from 1 March 2010.

The King II Report is **not** examinable for PPE 2010.

9.4 CODES OF PROFESSIONAL ETHICS

The IRBA’s “PAAB Code of Professional Conduct” is examinable.

The IRBA’s “Old Disciplinary Rules” is examinable.

The Exposure Draft of the “Rules Regarding Improper Conduct (the ‘Rules’) and the Code of Professional Conduct (the ‘Code’)” issued on 27 November 2009 is NOT examinable for PPE 2010.

9.5 ACCOUNTING PRONOUNCEMENTS

The Standards listed below are contained in Volumes 1A to 1C (“A Guide through IFRS[®]”) of the **SAICA Handbook 2009/2010**. Volumes 1A to 1C of the **SAICA Handbook 2009/2010** include the full consolidated text of the Standards and Interpretations and accompanying documents issued by the International Accounting Standards Board as at 1 July 2009.

International Financial Reporting Standards (IFRS)

Pronouncement	Topic	PPE 2010
Framework	Framework for the Preparation and Presentation of Financial Statements	Examinable
<i>IFRS 1</i>	<i>First-time Adoption of International Financial Reporting Standards</i>	<i>Not Examinable</i>
IFRS 2	Share-based Payment <ul style="list-style-type: none"> • Valuation of options (App B, para B1 – B41) - Level 2 • Share-based payments where the terms of arrangement provides the counterparty with choice of settlement (para. 35–40) – level 1 	Examinable
IFRS 3	Business Combinations <ul style="list-style-type: none"> • <i>Reverse acquisitions – paragraphs B19–B27 are EXCLUDED (however, the identification of an acquirer is included (para. 6 and 7 and elaborated upon in B13–B18))</i> 	Examinable
<i>IFRS 4</i>	<i>Insurance Contracts</i>	<i>Not Examinable</i>
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Examinable
<i>IFRS 6</i>	<i>Exploration for and Evaluation of Mineral Resources</i>	<i>Not Examinable</i>
IFRS 7	Financial Instruments: Disclosures – level 2 <ul style="list-style-type: none"> • Paragraphs 13 and 17 – Level 1 IFRS 7 is only examinable in the context of an entity that is not a financial institution.	Examinable
IFRS 8	Operating segments <ul style="list-style-type: none"> • Disclosures (para. 20–34) - level 1 	Examinable

Note that IFRS 9 on “Financial Instruments” is not contained in the SAICA Handbook 2009/2010 and is NOT examinable for the PPE 2010.

International Accounting Standards (IAS)

Pronouncement	Topic	PPE 2010
IAS 1	Presentation of Financial Statements	Examinable
IAS 2	Inventories	Examinable
IAS 7	Statement of Cash Flows <ul style="list-style-type: none"> Foreign subsidiaries - Level 1 	Examinable
IAS 8	Accounting Policies; Changes in Accounting Estimates and Errors	Examinable
IAS 10	Events After the Reporting Period	Examinable
IAS 11	Construction Contracts	Examinable
IAS 12	Income Taxes <ul style="list-style-type: none"> Deferred tax for equity-settled share-based payments (para. 68A – 68C) – level 1 Paragraphs 38–45 – <i>EXCLUDED</i> and therefore no deferred tax to be provided on these items 	Examinable
IAS 16	Property, Plant and Equipment	Examinable
IAS 17	Leases <ul style="list-style-type: none"> Paragraphs 18 and 19 – <i>EXCLUDED</i> 	Examinable
IAS 18	Revenue <ul style="list-style-type: none"> Appendix – Financial service fees – Level 1 	Examinable
IAS 19	Employee Benefits <ul style="list-style-type: none"> Paragraphs 92 and 93 (corridor) – level 1 Paragraphs 65–91 (actuaries) – level 1 Paragraphs 58(b), 58A, 58B and 60 (anything on “asset ceilings” and related disclosures) – <i>EXCLUDED</i> 	Examinable
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance – level 1	Examinable
IAS 21	The Effects of Changes in Foreign Exchange Rates	Examinable
IAS 23	Borrowing Costs	Examinable
IAS 24	Related Party Disclosures	Examinable
IAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>	<i>Not Examinable</i>
IAS 27	Consolidated and Separate Financial Statements <ul style="list-style-type: none"> Cross holdings – <i>EXCLUDED</i> Consolidation journals are examinable in PPE 2010. 	Examinable
IAS 28	Investments in Associates	Examinable
IAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>	<i>Not Examinable</i>
IAS 31	<i>Interests in Joint Ventures</i>	<i>Not Examinable</i>
IAS 32	Financial Instruments: Presentation <ul style="list-style-type: none"> Compound financial instruments – Level 2 Puttable financial instruments and obligations arising on liquidation (IAS 32, para. 16A–16F) – <i>EXCLUDED</i> 	Examinable
IAS 33	Earnings per Share <ul style="list-style-type: none"> Headline earnings (Circ 3/09) – Level 1 	Examinable
IAS 34	Interim Financial Reporting - level 1	Examinable
IAS 36	Impairment of Assets	Examinable
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Examinable
IAS 38	Intangible Assets	Examinable
IAS 39	Financial Instruments: Recognition and Measurement All matters are examinable at a level 3 except as set out below: EXCLUDED: <ul style="list-style-type: none"> Recognition and measurement of fair value hedge accounting for a portfolio hedge of interest rate risk (amendment June 2004) Financial guarantee contracts Loan commitments Paragraphs 50(c) and 50B–50F Paragraph 54 	Examinable

	<p>Level 1:</p> <ul style="list-style-type: none"> ▪ Identification of embedded derivatives ▪ Hedge accounting of any risk other than foreign exchange risk* hedged with an FEC* or interest rate risk* hedged with an interest rate swap* (* = level 3) ▪ Trade and settlement date accounting ▪ First day gains and losses (AG76A) ▪ Derecognition of financial assets and liabilities <p>Level 2:</p> <ul style="list-style-type: none"> ▪ Valuation of derivative financial instruments <p>Level 3:</p> <ul style="list-style-type: none"> • Hedge accounting of foreign exchange risk with an FEC and interest rate risk with an interest rate swap 	
IAS 40	<p>Investment Property</p> <ul style="list-style-type: none"> • <i>Paragraph 6 – Property interests held by a lessee under an operating lease which is classified and accounted for as an investment property – EXCLUDED</i> 	Examinable
IAS 41	Agriculture	Not Examinable

International Financial reporting Interpretations Committee (IFRIC)

<u>Pronouncement</u>	<u>Title</u>	<u>PPE 2010</u>
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Examinable
<i>IFRIC 2</i>	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>	<i>Not examinable</i>
IFRIC 4	Determining whether an Arrangement contains a Lease	Examinable
IFRIC 5	Rights to interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Examinable
<i>IFRIC 6</i>	<i>Liabilities arising from Participation in a Specific Market-Waste Electrical and Electronic Equipment</i>	<i>Not examinable</i>
<i>IFRIC 7</i>	<i>Applying the Restatement Approach under IAS 29 Financial reporting in Hyperinflationary Economies</i>	<i>Not examinable</i>
<i>IFRIC 9</i>	<i>Reassessment of Embedded Derivatives</i>	<i>Not examinable</i>
IFRIC 10	Interim Financial Reporting and Impairment - level 1	Examinable
<i>IFRIC 12</i>	<i>Service concession arrangements</i>	<i>Not examinable</i>
IFRIC 13	Customer loyalty programmes	Examinable
<i>IFRIC 14</i>	<i>IAS19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	<i>Not examinable</i>
<i>IFRIC 15</i>	<i>Agreements for the Construction of Real Estate</i>	<i>Not examinable</i>
IFRIC 16	Hedges of a Net Investment in a Foreign Operation – level 1	Examinable
IFRIC 17	Distribution of Non-cash Assets to Owners	Examinable
<i>IFRIC 18</i>	<i>Transfers of Assets from Customers</i>	<i>Not Examinable</i>
<i>SIC-7</i>	<i>Introduction of the Euro</i>	<i>Not examinable</i>
SIC-10	Government Assistance – No Specific Relation to Operating Activities – level 1	Examinable
SIC-12	Consolidation – Special Purpose Entities	Examinable
<i>SIC-13</i>	<i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>	<i>Not Examinable</i>
SIC-15	Operating Leases – Incentives	Examinable
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	Examinable
<i>SIC-25</i>	<i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>	<i>Not examinable</i>
<i>SIC-27</i>	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	<i>Not Examinable</i>
<i>SIC-29</i>	<i>Disclosure- Service Concession Arrangements</i>	<i>Not examinable</i>
<i>SIC-31</i>	<i>Revenue – Barter Transactions Involving Advertising Services</i>	<i>Not examinable</i>
SIC-32	Intangible Assets – Web Site Costs	Examinable

South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice

Pronouncement	Title	PPE 2010
AC500	Preface to South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice	Examinable
AC501	Accounting for "Secondary Tax on Companies (STC)"	Examinable
AC502	Substantively Enacted Tax Rates and Tax Laws	Examinable
AC503	Accounting for Black Economic Empowerment (BEE) Transactions	Examinable
AC504	<i>IAS 19 (AC 116) - The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment</i>	<i>Not examinable</i>

The **IFRS for Small and Medium-sized Entities** is examinable. This Standard is not contained in the SAICA Handbook 2009/2010. Candidates should **supply their own copies** of the Standard for purposes of open-book assessment.

This pronouncement will be examined at the following levels:

- Scope section *Level 3*
- Other sections *Not examinable*

The references to the knowledge levels should be read as having the following meanings:

Level 1 = knowledge and awareness

Level 2 = Identification of underlying problems and simple calculations

Level 3 = perform complex calculations and answer an integrated question relating to the specific topics.

All standards are examinable at level 3, unless otherwise indicated.

Note that exposure drafts are not examinable.

9.6 CIRCULARS AND GUIDES

Circulars issued by IRBA (Only examinable Circulars are listed)

Circular	Title	PPE 2010
01/2006	Giving Second Opinions (issued 30 June 2006)	Examinable

IRBA Guides (Only examinable Guides are listed)

Guide	Title	PPE 2010
	Reportable irregularities	Examinable
	The auditor attending the annual general meeting	Examinable

Circulars issued by SAICA (Only examinable Circulars are listed)

Circular	Title	PPE 2010
CC 03/94	Recovery of professional fees	Examinable
CC 11/94	The auditor's liability to a third party	Examinable
CC 02/95	Use of the designations CA(SA) and RA	Examinable
CC 01/96	Managing the professional liability of accountants	Examinable
CC 02/02	Subordination agreements	Examinable
CC 03/02	Letters of support	Examinable
CC 08/05	Status of Professional Pronouncements	Examinable
CC 01/06	Disclosures in Relation to Deferred Tax	Examinable
CC 02/06	Clarification of Certain Sections of The Financial Intelligence Centre Act	Examinable
CC 09/06	Transactions giving rise to Adjustments to Revenue/Purchases	Examinable
CC 12/06	Operating Leases	Examinable
CC 04/07	Letter for auditors to send to clients outlining the requirements of section 45 of the Auditing Profession Act – The duty to report on reportable irregularities	Examinable
CC 05/07	Template letters for auditors: Compliance with the reporting requirements of section 45 – Duty to report on reportable irregularities	Examinable
CC 02/09	Statements of Generally Accepted Accounting Practice (GAAP): International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) This pronouncement will be examinable on the following levels: - Scope section Level 3 - <i>Other sections</i> <i>Not examinable</i>	Examinable
CC 03/09	Headline earnings - level 1	Examinable

SAICA Guides

Trading whilst Factually Insolvent	As updated June 2009	Examinable (Note *)
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Note *: This Guide is not contained in the SAICA Handbook 2009/2010. Candidates should **supply their own copies** of this Guide for purposes of open-book assessment.