المجمع العربي للمحاسبين القانونيين
Arab Society of Certified Accountants (ASCA)

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A regional professional society dedicated to the promotion of the highest accounting, auditing and ethical standards and to capacity building through the institution of globally recognized educational and examination qualification programs.

In This Issue

Abu-Ghazaleh Speaks Before the Fourth Middle East IFRS & Accounting Summit in Dubai

ASCA will introduce a technician qualification – the Arab Certified Accounting Technician (ACAT) - Abu-Ghazaleh

Mr. Talal Abu-Ghazaleh, Chairman of the Arab Society of Certified Accountants (ASCA) said at the Fourth Middle East International Financial Reporting Standards (IFRS) & Accounting Summit that the IFRS are fundamental to the existence of all accounting organizations.

The Summit which is being held in Dubai Nov. 10 -11 brings together senior representatives from around the world involved in shaping the accounting and reporting sector, and provides the ideal forum to discuss and debate the latest developments affecting governments and businesses.

Abu-Ghazaleh opened his speech by stating "We are all aware of the importance of developing the rigorous Auditing and Financial Reporting Standards at both the national and the international levels."

"The IFRS are fundamental to the existence of all accounting organizations such as the International Federation of Accountants (IFAC) and the International Accounting Standards Board (IASB)," he added.

"What is being discussed isn't merely improving the profession and serving the public interest, yet that it is part of a much bigger need of working towards and converting the region to an "Arab Knowledge Society," Mr. Abu-Ghazaleh pointed out.

Accordingly, Mr. Abu-Ghazaleh elaborated that part of ASCA's vision was to provide graduates and members of the profession with the latest developments in accountancy such as the updated international standards.

"If we are to use international standards we need to have them available in our language, but we need the translation to be standardized so that regional variations do not emerge," he stated.

"Our initial success with translation encouraged us to do more especially in regard to the need to get international standards available for our members and others in the region who will make use of them. Today, we are the official Arabic translators of the International Financial Reporting Standards (IFRS), the International Accounting Standards Board (IASB) and the International Auditing and Assurance and Ethics Standards of the International Federation of Accountants (IFAC)," said Mr. Abu-Ghazaleh in discussing these standards.

In respect of future plans, Mr. Abu-Ghazaleh mentioned that ASCA will introduce a technician qualification entitled the Arab Certified Accounting Technician (ACAT).

"ACAT holders will become members of ASCA, and will be qualified for the Arab Certified Public Accountant (ACPA) examinations of ASCA," he noted.

He added that Talal Abu-Ghazaleh Organization (TAG-Org) signed an agreement with the UK Chartered Institute of Management Accountants (CIMA) to offer a program entitled the "Certificate in Islamic Finance" that will be available by the beginning of 2009.

The Middle East IFRS & Accounting Summit 2008 updates the attendees with the latest in accounting standards globally set by the International Accounting Standards Board (IASB) and their significance to the region.

Fourth Middle East IFRS & Accounting Summit Concludes in Dubai

ASCA will not participate in a regional gathering of standards

Abu-Ghazaleh Proposes an Arab Advisory Board that Deals with the Peculiarities of the Arab Region

On 12/ 11/ 2008, the fourth summit on international reporting and accounting standards was held in Dubai. The closing session was dedicated to discuss creating an Arab regional gathering concerned with accounting, auditing and professional conduct standards, where relevant parties from all Arab countries participate. The attendants of the Summit elected representatives from five Arab countries in addition to three representatives of the international standards committee.

The Arab Society of Certified Accountants (ASCA) however, has declined to join the committee for the following reasons:

1. ASCA is an Arab regional qualifying body that aims to promote and adopt international accounting and auditing standards throughout the Arab region and does not represent any particular Arab country.
2. ASCA does not see the need for establishing a new regional entity in view of the existence of the Arab Federation of Accountants and Auditors, the regionally body recognized by the League of Arab States as the legitimate representative of the profession in all Arab countries.
3. ASCA adopts the International Accounting Standards and the International Standards on Auditing in its curriculum for the qualification of Arab certified accountants and requires all its members to comply with these standards. Accordingly ASCA does not see any need for a regional standard setting body in the presence of the IASB.

The Middle East IFRS & Accounting Summit 2008 updates the attendees with the latest in accounting standards globally set by the International Accounting Standards Board (IASB) and their significance to the region.

Mr. Talal Abu Ghazaleh, in his capacity as the Chairman of ASCA, proposed that it is more valuable that the international committee forms an Arab advisory board that seeks to realize the objectives of the international standards committee regarding the environmental content in the Arab region. Such objectives include also expression of opinions in drafting or amending any international standards, particularly in relation to Islamic financial transactions, Zakat and other transactions related to the Arab region.

In cooperation with TAG Academes
ASCA has held Professional Training

In cooperation with TAG Academes ASCA has held the Income and sales tax and its applications in accounting terms

This course aims at clarifying the taxable sources of income (inside and outside the kingdom), in addition to exempted sources of income and tax recognized and unrecognized expenses as well as taxation of losses, exemptions, donations, properties, amounts paid to residents and non-residents, salaries and deductions. Moreover, it clarifies the technical bases of tax audit on the most significant financial statements items.

Qualification Course for Arab Certified of Professional Accountant (ACPA) in Dubai Municipality

Agropur of specialized and experienced professors as well as an elite and faculty members at the Jordanian Universities give lectures in this course. 22 Person are participating in these course

New ASCA Members

Imad Nayif Mahmod Al Darawsheh from Saudi Arabia

Mohammad ben Saied Al Shoaily from Oman

Ghader Khalel Fraig from Jordan

Abier Mohammad Fathi from Palestine

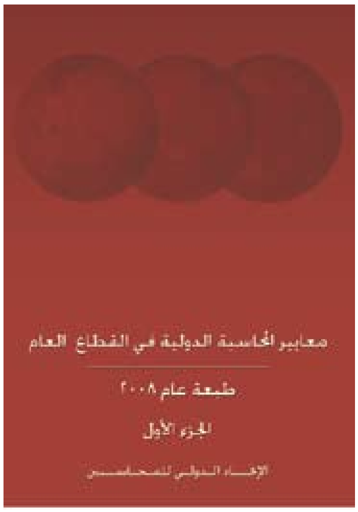
ASCA holds the 25th session of ACPA examinations

Arab Society of Certified Accountant held the 25th session of Arab Certified Professional Accountant qualification's examinations in 24 centers across the Arab world. Number of student who sat for the examinations in this session was 391 students.

It is worth mentioning that the examinations consist of 8 papers prepared in accordance with the accredited international curriculum of United nations Conference on Trade and Development (UUCTAD). Students who successfully pass the examinations will be awarded the Arab Certified Professional Accountant certificate

The Arab Society of Certified Accountants (Jordan)
Issued the Arabic translation of
Hand Book of International Public Sector Accounting Standards (2008)

The Arab Society of Certified Accountants (Jordan) issued the latest Arabic translation of Handbook of International Public Sector Accounting Standards, in two parts for the first time, In 2008 the IPSASB finalized and published the following standards:-



- ***IPSAS 4, "The Effects of Changes in Foreign Exchange Rates" (Revised)***;
- ***IPSAS 25, "Employee Benefits"; and***
- ***IPSAS 26, "Impairment of Cash-Generating Assets." These Standards are effective from the dates noted in the Standard***.
- ***The Cash Basis IPSAS, "Financial Reporting under the Cash Basis of Accounting" was*** amended at the conclusion of the IPSASB's project on "Disclosure Requirements for Recipients of External Assistance." The revised Standard is effective for reporting periods beginning on or after January 1, 2009.

In addition, the following IPSASs were amended by the issuance of IPSAS 26:-

- ***IPSAS 21, "Impairment of Non-Cash Generating Assets"; and***
- ***"Glossary of Defined Terms."***

IFAC SUPPORTS CONVERGENCE IN THE REPORTING OF FINANCIAL INSTRUMENTS

The International Federation of Accountants (IFAC) supports recent moves by the International Accounting Standards Board (IASB) to contribute to greater consistency in financial reporting and to work towards convergence of international standards, an objective which IFAC views as critical to the efficient operation of global capital markets.

While accepting the value of moving rapidly to remove differences in the application of fair value accounting in different jurisdictions, IFAC strongly opposes attempts to change more radically, or to suspend, the use of fair value accounting without adequate due process. In particular, IFAC considers that making changes at a national or regional level that exacerbate reporting differences would serve to further confuse financial markets and would result in a reduction of confidence in financial reporting - exactly the opposite of what is required in current circumstances. "Reducing transparency is not the answer," says IFAC President Fermín del Valle, "and it will not serve the interests of investors."

IFAC believes that the additional guidance given to those applying both accounting and auditing standards relating to fair values has been very valuable and will contribute to the public interest through more consistent application of the standards. This guidance has come from the IASB and the United States Financial Accounting Standards Board, as well as from the International Auditing and Assurance Standards Board in its Staff Audit Practice Alert, Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment.

IFAC and its independent standard-setting boards are continuing to monitor the impact of the credit crisis and will consider whether further guidance is needed.

Tax Guide (2)

Dr. Wa›el Al-Okshi - Planning and policies manager / Income and Sales Tax Department.

Sources of Income

1. Sources of income subject to tax (Article 3).
2. Sources of income exempted from tax (Article 7).

First:

Sources of income subject to tax- within the Kingdom of Jordan

Pursuant to the provisions of Article (3) of Income Tax Law as previously referred to we find that the main criterion in imposing income tax is regionalism; i.e. the place in which income is generated. This is manifested in the beginning of Article (3) which reads as follows:

"Income accrued or earned in the Kingdom by any person shall be subject to tax".

Also, having reviewed the said provisions of Article we find:

1. The tax legislator has made some exceptions to regionalism rule, where he made some incomes subject to tax even though they were earned outside the kingdom. These will be discussed later with further details.

2. The basis approved by the tax legislator in taxable income with all its sources, unless otherwise exempted whether by the provisions of Income Tax Law or any provisions in other related laws such as, Investment Promotion Law and Free Zones Corporation Law. Exemption is also stipulated under resolutions issued by Ministers Council or through agreements concluded by the government. The provisions of these agreements shall prevail over the provisions of law. The general rule could be inferred by the fact that all incomes are subject to tax unless otherwise provided by the provisions of item (12) of the paragraph (a) of Article (3). Profits or gains derived from any other source not included in items (1 to 11) shall be taxable. These are only examples of taxable incomes and have not been explicitly exempted from those items.

After this overview of the general rules for taxable incomes we would detail some items described in Article (3) and the associated regulations and instructions:

1. Profits or gains from all activities, whether commercial, industrial, vocational or any trades are subject to tax by legislator. The purpose for which such activity or work is exercised was a commercial one regardless of the period during which such activity or work may have been carried out or exercised.

2. Salaries, wages and alike: provisions indicated that salaries and assets inclusive bonuses and allowances are taxable. What is meant by salary or wage as defined by legislator in tax income deductions law No (7) of 2003 in its broad meaning as a salary, wage, contribution, allowance, allocation, bonuses, any other amount under any title whatsoever or any other privileges, including commissions paid to an employee by an employer. This doesn't include amounts paid to free craftsmen (since it does not comprise a salary and the craftsman is not an employee for the employer). The legislator explained that where he defined the employee in the same described system as follows:

"the natural person engaged in paid work under a written or verbal employment contract shall be supervised and monitored by the employer. Also, the former shall be full-timer or part-timer."

This could be verified by, for example, presentation of employment contract and confirmations list sent to social security, including names of employees as well as ensuring they are subject to leave policy… etc.

The legislator ensures allowances in the context of taxable salaries. He stipulated in item (2) of paragraph (a) of Article (3) that all allowances shall be taxable as well as the exclusion of some allowances wholly or partly. Instructions for calculating allowances and bonuses arising from a job and applying Article (7) of 2002 explain the concept of some allowances and methods for handling the same in tax. Concepts and handlings are:

- The estimated value of housing or lodging: the legislator considered the estimated value of housing (housing allowance) as a part of the salary, therefore it shall be taxable. However, how this allowance can be determined to be added on the salary to become a part thereof in order to charge the taxpayer in accordance to the provisions of law.

• Such allowance is essentially arisen upon the employer offering housing to one of his employee or paying cash remuneration to rent a house. Tax handling of such allowance is:

First: if the housing offered is a building owned by the employer. Here, there are two cases:
(a) Building within the organization: here, housing allowance is represented by the estimated rental predictable value for such building (housing) for land and building tax.

(b) Building outside the organization: here, value of housing allowance is represented by the estimated rental predictable value which will be estimated by the assessing officer according to the bases and instructions of evaluating buildings and lands that are applicable in the nearest area to the municipality in which the building (housing) in question is located.

Second: if the housing offered is rented:
Agreement between the employer and employee might take several forms. The employer, for example, may rent the house offered and bear the whole cost thereof or assign this task to the employee. Agreement between the employer and employee may be made so that the employer shall bear the whole amount of rental or part thereof in the form of percentage, specific amount or any other form.

Due to the multiple cases here, the following rule can be set to determine the value of housing allowance:

It is considered the housing allowance borne by the employer. If the employee rents the house in amounts exceeded what the employer borne, the amount borne by the employee could be utilized in his own record when approaching income and sales tax department for taxation within exemptions granted by the legislator for rental allowance (exemptions to be discussed later).

To conclude the discussion about the housing allowance it is necessary to mention the additional handling started since 2002. In this connection, what is taxable in the housing allowance regardless the basis of calculation thereof is surpass of the maximum annually amount of JD 2000 as exemption of the housing or rental allowance.

For example, if the value of housing allowance for one employee is JD 3000, what is added to the tax container plus his salary is only JD 1000 which represents the surpass of JD 2000 indicated above.

Food and lodging allowance

1. The value of food and lodging allowance is a taxable benefit.

2. The employer must deduct 5% of the total value to be paid to income and sales tax department within 30 days from the date of deduction.
3. In case of failure to deduct and supply as described above, the employer has no right to charge amounts paid as lodging or food allowance as production expenditure according to the provisions of law.

4. Subject to these amounts, lodging or food allowance shall be subject to audit by the assessing officer regardless the deduction that prevents automatic acceptance of such expenditure.

The legislator granted in Article (3) with respect to taxable incomes, especially in item (2) of the paragraph (a) that salaries, wages and alike shall be taxable, some exceptions for this rule including:

1. Representation allowance: the legislator exempted this allowance from income tax and included it in the exempted items. In return, the legislator defined the representation allowance under the instructions No (7) of 2002 as the allowance paid to official officers, and those work in government, public institutions and local authorities in order to spend it on the requirements of the job or post. In the light of the above, exemption for such allowance is limited to a specific group. As indicated above, it is limited to the public sector. In other words, this allowance for the public sector, if applicable, shall be taxable.

2. Hosting allowance or part thereof: the instructions No (7) of 2002 defined the hosting allowance paid to the employee as the amounts to be spent for the purposes of the job or work honoring those who deal with the employer. It is noted that the exception for the hosting allowance (exemption) may be for the whole hosting allowance or part thereof, as required, (components of salary/wage) in accordance with the following rule: 10% of the basic salary shall be exempted from the

hosting allowance, JD 300 annually or the value of allowance, whichever is less.

3. Travel and cost of living allowance: the instructions No (7) of 2002 defined the Travel and cost of living allowance as the allowance paid to the employee if assigned, delegated or called to do an official work outside his work centre inside or outside the kingdom.

With regard to tax handling:

(1) For employee in the public sector: fully exempted since such allowance is governed by commutation and travel system.

(2) For employee in the private sector: fully exempted provided that it shall be spent for the purpose of work to the extent agreed here.

4. Commutations allowance: this comprises amounts paid to the employee to be spent for the purpose of work rather than his own commutation from his place to the workplace. With regard to tax handling:

(1) For employee in the public sector: fully exempted since such allowance is governed by commutation and travel system.

(2) For employee in the private sector: 10% of the basic salary shall be exempted from the hosting allowance, JD 1200 annually or the value of allowance, whichever is less.

5. Travel or commutations allowance paid to members of the board of directors

First of all, only the public shareholding companies are meant here by members of the board. Board of directors of limited liability companies are excluded from this rule.

The legislator granted the following exemption benefit and commutations allowance for members of the board with a consideration to the member being a resident or not:

• The annually amount of JD 600 for the resident member for one membership shall be exempted, but not more than JD1500 a year regardless the number of memberships.

• The annually amount of JD 1200 for the non-resident member for one membership shall be exempted, but not more than JD2500 a year regardless for the number of memberships.

For more clarification, we suppose that somebody has been charged commutations allowance on behalf of the director as the following:

Jordan National Company JD 600.

Al Majd Jordanian Company JD 600.

Al Nahda Al Arabia Company JD 600.

Knowing that this person is a Jordanian employee and works for a ministry in the Hashemite Kingdom of Jordan.

According to the instructions as mentioned above, we can note:

1. The amount paid for that person by each company as commutations allowance within the permitted amount granted to one membership. Therefore, the amount paid by each company shall be exempted in its view and no deduction or supply for any amount shall be incurred by the company in favor of income and sales tax department.

2. Said person is a Jordanian employee and works for the government. Hence, he shall be considered as a resident according to the definition of the previously mentioned resident.

3. When a director approaches income and sales tax department s/he will find that the maximum permitted amount for exemption for commutations allowance is only JD1500 regardless the number of memberships. Therefore, s/he will pay tax as per exemptions to be granted for him/her of the amount JD300 (1500- 600+ 600+ 600) which exceeds the maximum amount for exemption.

Interests, commissions, deductions and currency differences

However, the general rule for imposing income tax is that all incomes shall be taxable unless otherwise provided. Income sources described in paragraph (a) of Article (3) are just for the sake of examples. In the matter of interests, it is clearly provided that interests and commissions shall be taxable. However, the legislator stipulated an exception where he excluded interests and commissions on bad debts described as pending interests and commissions (to be discussed later) from accrual basis of accounting as per item (1) of paragraph (a) of Article (5) of Income Tax Law for charging the same on the cash basis. Instructions No (19) of 2003 has been issued by the director of income and sales tax department agreeing with the minister of finance. Also, these instructions agree with the instructions issued by the central bank for banks in this respect. The most significant in these instructions is when do we consider interests and commissions as pending?

Environmental Matters and Financial Statements Auditing (Part 1)

1. *Introduction*

Environmental matters are becoming significant to an increasing number of entities and may, in certain circumstances, have a material impact on their financial statements. These issues are of growing interest to the users of financial statements. The recognition, measurement and disclosure of these matters are the responsibility of management.

For some entities, environmental matters are not significant. However, when environmental matters are significant to an entity, there may be a risk of material misstatement, including inadequate disclosure in financial statements arising from such matters: in these circumstances, the auditor needs to give consideration to the environmental matters in the audit of financial statements.

In March, 1998 Auditing and Assurance Standards Board of (earlier known as "International Auditing Practice Statements Committee") issued the Proposed International Auditing Practice Statement (1010): Consideration of Environmental Matters in the Audit of Financial Statements. The Board asserted that the Statement (1010) should be read in the context of "Preface to the International Standards on Quality Control, Auditing, Assurance and Relevant Services," which sets out the application and authority of IAPSs. The Board also ascertained that the purpose of the Statement (1010) is as follows:

1. Environmental matters can be complex and may therefore require additional considerations by auditors. This Statement provides practical assistance to auditors by describing:

(a) The auditors' main considerations in an audit of financial statements with respect to environmental matters;

(b) Examples of possible impacts of environmental matters on financial statements; and

(c) Guidance that the auditor may consider when exercising professional judgment in this context to determine the nature, timing and extent of audit procedures with respect to:

(1) Understanding the entity and its environment and the risk of material misstatement therein;

(2) Consideration of laws and regulations;

(3) Other substantive procedures such as, using the work of an expert and some other standards.

The guidance under (c) reflects the typical sequence of the audit process. Having acquired a sufficient knowledge of the business the auditor assesses the risk of a material misstatement in the financial statements. This assessment includes consideration of environmental laws and regulations that may pertain to the entity, and provides a basis for the auditor to decide whether there is a need to pay attention to environmental matters in the course of the audit of financial statements.

(d) This statement does not establish any new basic principles or essential procedures: its purpose is to assist auditors, and the development of good practice, by providing guidance on the application of the ISAs in cases when environmental matters are significant to the financial statements of the entity. The extent to which any of the audit procedures describes in this Statement may be appropriate in a particular case requires the exercise of the auditor's judgment in the light of the requirements of the ISAs and the circumstances of the entity. Furthermore, this Statement does not provide guidance on the audit of the financial statements of insurance companies with regard to claims incurred under insurance policies relating to environmental matters affecting policyholders.

The Auditor's Main Considerations with Respect to Environmental Matters

According to the International Auditing and Assurance Standards Board regarding the auditor's main considerations with respect to environmental matters, the objective of an audit of financial statements is: to enable the auditor to express an opinion whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework.

The auditor's opinion relates to the financial statements taken as a whole and not to any specific aspect. When planning and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements. However, an audit can not be expected to detect noncompliance with all laws and regulations (ISA 250, paragraph 2). In particular, with respect to the entity's compliance with environmental laws and regulations, the auditor's purpose is not to plan the audit to detect possible breaches of environmental laws and regulations; nor are the auditor's procedures sufficient to draw a conclusion on the entity's compliance with environmental laws and regulations or the adequacy of its controls over environmental matters.

In all audits, when developing the overall audit plan, the auditor assesses inherent risk at the financial statement level (ISA 400, paragraph 11). The auditor uses professional judgment to evaluate the factors relevant to this assessment. In certain circumstances these factors may include the risk of material misstatement of the financial statements due to environmental matters. The need to consider, and extent of the consideration of, environmental matters in an audit of financial statements depends on the auditor's judgment as to whether environmental matters give rise to a risk of material misstatement in the financial statements.

In some cases, no specific audit procedures may be judged necessary. In other cases, however, the auditor uses professional judgment to determine the nature, timing and extent of the specific procedures considered necessary in order to obtain sufficient appropriate audit evidence that the financial statements are not materially misstated.

If the auditor does not have the professional competence to perform these procedures, technical advice may be sought from specialists, such as lawyers, engineers, or other environmental experts.

To conclude that an entity operates in compliance with existing environmental laws or regulations requires the technical skills of environmental experts, which the auditor cannot be expected to possess. Also, whether a particular event or condition that comes to the attention of the auditor is a breach of environmental laws and regulations is a legal determination that is ordinarily beyond the auditor's professional competence.

However, as with other laws and regulations, the auditor's training, experience and understanding of the entity and its industry may provide a basis for recognition that some acts coming to the auditor's attention may constitute noncompliance with laws and regulations.

The determination as to whether a particular act constitutes or is likely to constitute noncompliance is generally based on the advice of an informed expert qualified to practice law but ultimately can only be determined by a court of law, in accordance with ISA 250.

Environmental Matters and Their Impact on the Financial Statement

As of the date of publication of this Statement there are few authoritative accounting standards, whether International Accounting Standards or national standards, that explicitly addresses the recognition, measurement, and disclosure of the consequences for the financial statements arising from environmental matters. However, existing accounting standards generally do provide appropriate general considerations that also apply to the recognition, measurement and disclosure of environmental matters in financial statements.

For example, International Accounting Standard (IAS) 10, "Contingencies and Events Occurring after the Balance Sheet Date," provides the general considerations which apply to the recognition and disclosure of contingent losses, including losses as a consequence of environmental matters. Subsequent to the issue of this statement, International Accounting Standard 37, "Provisions, Contingent Liabilities and Contingent Assets," was issued. It contains some examples of environmental matters.

According to the International Auditing and Assurance Standards Board, and for the purpose of this Statement, "environmental matters" are defined as:

1. Initiatives to prevent, abate, or remedy damage to the environment, or to deal with conservation of renewable and non-renewable resources (such initiatives may be required by environmental laws and regulations or by contract, or they may be undertaken voluntarily);

2. Consequences of violating environmental laws and regulations;

3. Consequences of environmental damage done to others or to natural resources; and

4. Consequences of vicarious liability imposed by law (for example, liability for damages caused by previous owners).

Some examples of environmental matters affecting the financial statements are the following:

1. The introduction of environmental laws and regulations may involve an impairment of assets and consequently a need to write down their carrying value.

2. Failure to comply with legal requirements concerning environmental matters, such as emissions or waste disposal, or changes to legislation with retrospective effect, may require accrual of remediation, compensation or legal costs.

3. Some entities, for example in the extraction industries (oil and gas exploration or mining), chemical manufacturers or waste management companies may incur environmental obligation as a direct by-product of their core businesses.

4. Constructive obligations that stem from a voluntary initiative, for example an entity may have identified contamination of land and, although under no legal obligation, it may have decided to remedy the contamination, because of its concern for its long-term reputation and its relationship with the community. The term "constructive obligations" (as opposed to "present legal obligations") has been clarified by the International Accounting Standards Committee as follows: "Sometimes the actions or representations of the enterprise's management, or changes in the economic environment, directly influence the reasonable expectations or actions of those outside the enterprise and, although they have no legal entitlement, they have other sanctions that leave the enterprise with no realistic alternative to certain expenditures. Such obligations are sometimes called "constructive obligations" in accordance with the Proposed International Accounting Standard 37 on "Provisions, Contingent Liabilities and Contingent Assets".

5. An entity may need to disclose in the notes the existence of a contingent liability where the expense relating to environmental matters cannot be reasonably estimated.

6. In extreme situations, noncompliance with certain environmental laws and regulations may affect the continuance of an entity as a going concern and consequently may affect the disclosures and the basis of preparation of the financial statements.

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