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Interpretative Report of Management and Requirements of Increasing Transparency in Capital Market

Rahmatollah Sadeghian

One of the most important goals and objectives of monitoring laws and regulations that has been adopted and implemented in financial markets in recent years, especially money and capital markets, has been to improve and enhance transparency of economic activities. It is obvious that this will require interaction and wider involvement and co-operation of capital market observer with financial actors and observers and activity auditors.

EDITORIAL



Auditors Roundtable and Interpretative Management Report

Mansor Shamsahmadi, Morteza Asadi, Mahdi Beyranvand, Mahdi Mohamadrezaei, Meysam Ghasemi, Hamid Allahyari Abhari, Valiollah Jafari

The Securities and Exchange Organization required companies to issue Interpretative Report of Management on 4th of January this year and accordingly, all issuers in the Stock Exchange and Farabourse were obliged to submit these reports in accordance with terms of this organization, together with financial statements for the period of three, six and nine months, and annual financial statements. Also, auditors must express opinion on six-month and annual reports.

FREE TRIBUNE



Latest Developments in the Auditor's Report in the World

Mahnaz Mollanazari, Neda Jafarinasab Kermani

Today, more than ever, users of audited financial statements need more information to decide in a complex environment of financial reporting. In response to the need for change, various standard-setters and regulatory bodies, including PCAOB, have started extensive activities to improve audit reports in recent years.

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Conceptual Framework of Professional Skepticism in Auditing

Mohamadreza Merabanpour, Mahnaz Ahangari

National and international discussions on professional skepticism in audit process have been practically and theoretically growing. For a long time, professional standards have emphasized the appropriate level of professional skepticism in process of evidence gathering, ie, stages of audit planning, audit procedures, and assessment of audit evidence. This paper presents a conceptual framework of professional skepticism that is effective in improving audit quality.

INSIGHT



Corporate Social Responsibility: Internal Auditors Facing Moral Dilemmas

Ramezanali Royae, Mojdeh Kadkhodaei Alyadrani, Elaheh Mahdavi Sabet

We need to know more about what makes a business better able to meet its needs for a good corporate citizen. In this article, we begin by defining business practices, ethics and its position in internal audit, and then we look at difficult moral situations facing internal auditors and their approach to dealing with these conditions.

INSIGHT



Corporate Citizen Policies and Social Responsibility

Zohreh Hajiha, Ebrahim Esfandiari

Some countries are working towards corporate citizen policies and human rights, social and health welfare, supply chain, anti-corruption, bribery and forgery, water and energy conservation and environmental protection, as well as environmental sustainability and corporate governance. This study reviews and monitors American policy and principles on environmental, social and governmental issues (mainly for large organizations).

INSIGHT

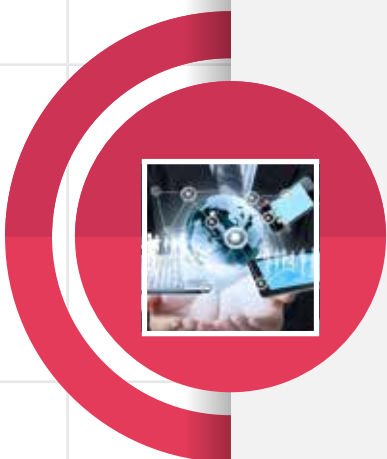


Requirements for Implementing IFRSs in Iranian Insurance Industry

Fariba Norouzi

The growth of international trade and capital flows and growing economic cohesion over the past two decades have led to a desire to harmonize accounting standards among countries. As a result, many countries have accepted the use of IFRSs. Securities and Exchange Organization surveys show that, in 2015, among international companies in 153 countries, international standards are not applied in 23 countries, including Iran.

INSIGHT



Corporate Governance in France

Morteza Kazempour, Reza Sajjadpour

Corporate governance system in France is in the framework of civil law and traditionally does not provide adequate protection for minority investors. The French corporate governance system emphasizes on executive management and power of companies.

AROUND THE WORLD

Around the World

Translated and developed by: **Mojdeh Kadkhodaei**

Increasing women participation in accounting management levels



Holding joint meeting of IACPA and IACTC

Holding the 13th Joint Meeting of Board of Directors of IACPA and Partners of Audit Firms

The Center for Arbitration of IACPA begins to work

List of accepted testers of Iranian CPA Exam

List of Audit Firms which are Members of the IACPA (March, 3, 2018)



Interpretative Report of Management and Requirements of Increasing Transparency in Capital Market

Rahmatollah Sadeghian

One of the most important goals and objectives of monitoring laws and regulations that has been adopted and implemented in financial markets in recent years, especially money and capital markets, has been to improve and enhance transparency of economic activities.

In this context, the Securities and Exchange Organization required companies to issue Interpretative Report of Management on 4th of January this year and accordingly, all issuers in the Stock Exchange and Farabourse were obliged to submit these reports in accordance with terms of this organization, together with financial statements for the period of three, six and nine months, and annual financial statements. Also, auditors must express opinion on six-month and annual reports.

It is obvious that in order to meet social and economic needs, regulations must also be transformed to meet new requirements. Over the course of nearly three decades of reinvigorating the capital market in the Iranian economy, we have witnessed an ever-increasing trend in evolution of regulatory framework for securities and exchange. The most important of these changes was adoption of new Law on Securities Market (adopted in 2005), which provided a framework for new developments aimed at expanding and deepening the Iranian capital market, creating Farabourse, and organizing markets and boards in each market, and trading new financial instruments.

At current stage, it seems that the most important benefit of capital market from this new requirement is to increase liquidity of the stock. As the non-trading days of stocks decreases sharply as a result of a change in the forecast of earnings per share, thus an important condition for efficiency of the stock market is met, ie fluidity and stock liquidity.

But in addition to improving stock liquidity, another factor, and perhaps more important, is the promotion of market transparency. One of the key nodes of market transparency, which has always been the focus of attention by all stakeholders in capital market, especially shareholders, has been the obligation to publish periodic information by companies listed in stock market. The Interpretative Management Report provides historical explanations of amounts presented in the financial statements to the users, in particular the financial position, financial performance and cash flows of the entity. It also provides an interpretation of company perspective and other information not provided in financial statements.

Therefore, a set of drivers is considered for an interpretive management report that targets increased transparency in the market. But the key point is that in some cases, there are still not enough preconditions for proper compilation of these reports. First of all, it seems that preparation of these reports in a manner that suits the needs of market stakeholders may require accounting, management, financial, industrial, econometric, and economical expertise, and in the present situation of companies, they don't have yet sufficient expertise to present these reports, and necessary preconditions are not ready for audit firms to optimize compliance with requirements of the Securities and Exchange Organization.

The way to overcome this challenge seems to be the implementation of a step by step and multi-step policy in this regard, in which issuers and observers are gradually able to meet demands and requirements of capital market supervisor, thereby increasing transparency in the market. It is obvious that this will require interaction and wider involvement and co-operation of capital market observer with financial actors and observers and activity auditors.