

# IACPA

**Digest - No. 44**



## Auditors facing new challenges

Rahmatollah Sadeghian



The single article Law on the Use of Professional Services of Certified Public Accountants (CPAs) was approved in 1993 and the IACPA began to work since 2001. Since then, we are witnessing the development and adoption of a set of laws and regulations such as Guidelines for Enhancing and Strengthening Auditing Enforcement, The Law on Administrative Health Promotion and Anti-Corruption, The law on Anti-Money laundering and related regulations, a set of issued and approved guidelines on the use of internal control and internal audit mechanisms, and a set of Financial transparency regulations in the banking system and listed companies. The above-mentioned laws and legal requirements set new responsibility for CPAs.

## The International Financial Reporting Standard No. 15, Revenue from Contracts with Customers

Mahdi Beyranvand – Seyyed Mohammad Bagherabadi



By changing the International Accounting Standards for Income Recognition, the International Financial Reporting Standard No. 15 is likely to be one of the most challenging and most controversial international accounting standards published in recent years.

## What are Digital Currencies?

Gholamreza Darbari



Digital currencies are one of a variety of virtual currencies that are managed in a decentralized manner and can be interchangeable, transactional, used for online shopping, and so forth, and are contrary to centralized banking systems.

## Roundtable on Code of Ethics: New Dimensions and Perspectives

Abbas Arbabsoleimani – Mohammad Hoji – Naser Razzaq – Ramezanali Royaei – Manouchehr Zandi – Hasan Karami



From the beginning of April 2019, the new ethics and professional conduct of certified public accountants approved by the IACPA comes into force. Considering that much work has been done to elaborate the code of conduct and the colleagues have been working hard and that there have been several meetings over the course of several consecutive months to prepare this behavior, we decided to make the members more aware of the importance of this issue. The main axis of the next issue of the magazine is the new “ethics professional conduct”.



## **A comparative analysis of materiality threshold at the level of financial statements (Iran and big audit firms)**

**Abdollah Azad – Mahboubeh Kazemi**

Assessment of materiality and setting quantitative threshold for that have been subject of various studies and have been addressed in the conceptual framework of financial reporting, accounting standards, auditing standards and audit guidelines.

**AUDITING**



## **Challenges of auditing subsequent events**

**Hamid Mohammadi – Leila Lotfi**

Events after the balance sheet date are always one of the hardest areas for auditors' work. Although auditors implement procedures that are designed to detect events after the balance sheet date, the outcome of implementing these procedures is not always successful.

**AUDITING**



## **The Effect of Auditors' Stress and Burnout on the Quality of Audit Services**

**Fereshteh Poudineh – Dr. Fattah Behzadian**

In this paper, factors are examined which, through the creation of stress and burnout, reduce the efficiency and effectiveness of the auditors' operational activities and ultimately reduce the quality of the audit services provided.

**AUDITING**



## **The impact of accounting theory on the FASB's conceptual framework**

**C. Richard Baker – Translated by: Vahid Mennati & Fatemeh Akbari kiaroodi**

During the first half of the twentieth century, the "accounting theory", developed mainly by academic researchers and scholars of accounting, was the basis for the practice of accounting and accounting in the United States. This paper examines the impact of accounting theory on the conceptual framework and also examines some of the implications of this effect.

**THEORETICAL DISCUSSIONS**

**Translated and developed by Mojdeh Kadkhodae**

**Market and competition Council proposals of UK for audit reforms were eventually released**



**The joint meeting with the Secretary of the Economic Commission of the Government in the IACPA office**

**List of Audit Firms which are Members of the IACPA (Feb, 26, 2019)**



## Auditors facing new challenges

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The single article Law on the Use of Professional Services of Certified Public Accountants (CPAs) was approved in 1993 and the IACPA began to work since 2001. Since then, we are witnessing the development and adoption of a set of laws and regulations such as Guidelines for Enhancing and Strengthening Auditing Enforcement, The Law on Administrative Health Promotion and Anti-Corruption, The law on Anti-Money laundering and related regulations, a set of issued and approved guidelines on the use of internal control and internal audit mechanisms, and a set of Financial transparency regulations in the banking system and listed companies. The above-mentioned laws and legal requirements set new responsibility for CPAs.

In parallel, the macroeconomic environment has created new requirements and challenges for the independent auditing profession. Specifically, over the past year, following the US- violations from the Joint Comprehensive Plan of Actions (JCPOA) and the announcement of unilateral sanctions, Iran's economy faces new challenges. In this context, several currency rates became inevitable, and as a result, allocation of resources, including scarce currency resources, as well as commodities that could be disturbed due to currency fluctuations, inevitably came in the agenda of policy makers and managers through non-market mechanisms.

We know that existence of different currency rates for a single currency increases the risks of abuse, misuse, fraud, and lack of transparency in financial reporting. Among other things, we know that difference between rates of exchange of a currency with the purpose of allocating it to various uses, is a basis for creating incentives for smuggling goods, or the presentation of incorrect forms of actual quantities of exports, imports, sales, stocks, and the like. Even in some cases, the importer, by collusion with the seller and the foreign supplier, do not return the surplus of foreign currency to the country by receiving a formal invoice, or if he returns the currency, will sell it at a higher rate in the free market. Another problem that can occur in such a situation and has been emphasized by regulatory authorities in recent months is the introduction of commodities with a variety of currency rates and selling based on the price of the currency on the free market. Also, when huge rents are due to different exchange rates, some firms may be expected to move, instead of attempting to generate value for money, in order to obtain non-operating profit from the rents of exchange rates.

In general, under such conditions, we will see some kind of arbitrary and speculative behavior among some suppliers of goods in determining the selling rate. For this reason, monitoring bodies face more burdensome tasks. But we know that, in addition to some weaknesses and inefficiencies, such bureaucratic supervision in the long run cannot be relied on so much.

Therefore, under multiple currency rate conditions, the grounds for abuse, corruption, rent-seeking, speculative activities, ignoring currency regulations, and consequently fraudulent financial reporting will increase. Meanwhile, auditors face new challenges, and should state in the report of the independent auditor and legal inspector the cases of misuse, fraud, violation, and non-compliance with the laws and regulations of the regulatory bodies. This is our duty to enhance and strengthen the regulatory role of the accounting and auditing profession in Iran. To this end, we need to strengthen auditors' assistance to the regulatory bodies with due regard to the legal requirements.

Another point is the social responsibility that the auditors face. We know that in terms of transparency and corruption, unfortunately, we are not in a good position now. Naturally, this is a field in which accountants and auditors, in addition to legal assignments, can and should play a key role in their social responsibility.

These are obvious indications of the status of audit profession and financial accountability in the face of new economic challenges. Naturally, in case of the economic difficulties, the level of social expectations increases dramatically. In a climate of increased societal expectations, the supervisory authorities as well as certified public accountants face new challenges, and in the face of these challenges, they have to double their efforts in financial supervision.