



TFRS Insights – English version 1/2011 NPAE Issue

Deloitte Touche Tohmatsu Jaiyos Co., Ltd. (the “DTTJ” or “we”) is pleased to present this update about the financial reporting requirements in Thailand to get you ready for the next dimension of Thai Accounting Standards.

As you may know, the Federation of Accounting Professions (“FAP”) have been revising Thai accounting standards and issuing new standards to more closely align with international accounting standard. Most of these revised/new Thai Financial Reporting Standards (“TFRS”) have become effective since 2011 onward. However, Small and medium enterprises (“SMEs”) have realized that complying with the full TFRS is not necessary because the users of their financial statements are limited, primarily few shareholders and management. Hence the FAP issued Thai Financial Reporting Standards for Non-Publicly Accountable Entities (“TFRS for NPAEs”) to set the accounting practices which are more practical for NPAEs.

However, the new TFRS for the NPAEs may have implementation issues related to not only the scope of the standards but also the different application for TFRS for NPAEs and the full TFRS. We believe that if SMEs understand the key concepts of the TFRS for NPAEs, the adoption of such standards will be smooth and achieve the FAP’s objective for issuing TFRS for NPAEs. Therefore, in this issue of **TFRS Insights**, we provided a summary of TFRS for NPAEs.

The Financial Reporting Standards for Non-Publicly Accountable Entities

The FAP issued the Notification no. 20/2554 dated April 12, 2011 that was announced in the Royal Gazette on May 6, 2011, regarding Thai Financial Reporting Standards for Non-Publicly Accountable Entities. This standard is effective for Non-Publicly Accountable Entities who choose to adopt such standard for their financial statements for the accounting periods beginning on or after January 1, 2011, regardless of the form of the entity, whether it is a registered partnership, limited company registered and non-registered in Thailand, or joint venture according to the Revenue Code.

The TFRS for NPAEs standard contains 22 chapters and 392 paragraphs arranged according to the presentation of the financial statements.

The summary of Thai Financial Reporting Standards (TFRS) for Non-Publicly Accountable Entities (NPAEs)

Below is the summary of TFRS for NPAEs, which are different from the Thai accounting standards that were applicable in 2010

Chapter	Topic	Key Differences from previous Thai Accounting Standard
Chapter 1	Background and Objective	<ul style="list-style-type: none"> TFRS for NPAEs focuses on preparation of quality financial statements without causing unnecessary burden and cost in the preparation of such financial reports because the users of the financial data is limited, hence the focus is on the use of the acquisition cost concept more than fair value concept
Chapter 2	Scope	<p>A Non-Publicly Accountable Entity is an entity that does not meet the following criteria:</p> <ol style="list-style-type: none"> Entity whose equity or debt instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing securities in a public market. Entity whose operation is mainly holding assets in a fiduciary capacity for a broad group of outsiders, such as financial institutions, insurance companies, securities companies, mutual funds, agricultural futures market, in accordance with relevant laws. Public companies under Public Company Act. Other businesses that will be additionally assigned.
Chapter 3	Conceptual Framework	<ul style="list-style-type: none"> The scope is narrow as it is for Non-Publicly Accountable Entities Changing from "primary/secondary qualitative characteristics and restrictions" to "fundamental/supplementary qualitative characteristics and other considerations" Added the definition of "fair value" as a measurement basis Silent on the concepts of capital and capital maintenance
Chapter 4	Presentation of Financial Statements	<ul style="list-style-type: none"> Changed the name of "balance sheet" to "statement of financial position" No requirement to present a statement of cash flows Reduced disclosure requirements If the entity would like to prepare interim financial statements, the interim financial statements must be prepared in compliance with all requirements of this TFRS for NPAEs
Chapter 5	Changes in Accounting Policies, Changes in Accounting Estimates and Correction of Errors	<ul style="list-style-type: none"> No significant change from prior Thai Accounting Standard
Chapter 6	Cash and cash equivalents	<ul style="list-style-type: none"> Clearer definition of cash and cash equivalents Clearer requirements for presentation and disclosure

Chapter	Topic	Key Differences from previous Thai Accounting Standard
Chapter 7	Accounts Receivable	<ul style="list-style-type: none"> • Reduced options for the recognition of allowance for doubtful accounts; with no option to write-off bad debts and bad debt recovery on the tax basis • Reduced disclosure requirements
Chapter 8	Inventories	<ul style="list-style-type: none"> • Clarified recognition of inventory related expenses as either cost of sales or administrative expenses • Reduced disclosure requirements
Chapter 9	Investments	<ul style="list-style-type: none"> • Applicable to investments in subsidiaries, investments in associates, and investments in joint venture • Impairment consideration focuses on permanently declines in the value of an investment • Cancel the option of calculating the cost of an investment by Last In-First Out (LIFO) method for disposals of investments • Reduced disclosure requirements
Chapter 10	Property, Plant and Equipment	<ul style="list-style-type: none"> • Requires the estimation of the costs of dismantling and removing the item and restoring the site on which it is located in the initial recognition (no requirement to discount to present value) • Requires the separation of each significant component/part of an item of property, plant and equipment if each item has useful life or consumption pattern materially different from each other • The cost of replacing part of an item of property, plant and equipment must be recognised in the carrying amount of such an item and the carrying amount of those parts that are replaced must be derecognised in accordance with the derecognition provisions principle • Prohibits the use of the fair value method for plant, property and equipment • Impairment considerations focus on permanently declines in the value of an asset • Adds the requirement for non-current assets held for sale to be separately present from property, plant and equipment • Reduced disclosure requirements
Chapter 11	Intangible assets	<ul style="list-style-type: none"> • Indefinite-lived intangible assets shall be amortised over 10 years • Prohibits the use of the revaluation model for intangible assets • Reduced disclosure requirements
Chapter 12	Investment property	<ul style="list-style-type: none"> • Prohibits use of the fair value model for investment property • Reduced disclosure requirements
Chapter 13	Borrowing costs	<ul style="list-style-type: none"> • Removes the previous guideline where an entity could elect to recognise borrowing costs as an expense (must now capitalize if the criteria are met)

Chapter	Topic	Key Differences from previous Thai Accounting Standard
Chapter 14	Leases	<ul style="list-style-type: none"> • Clarified the requirements for consideration of the type of lease • Reduced disclosure requirements
Chapter 15	Income taxes	<ul style="list-style-type: none"> • Allows the use of the Balance Sheet Liability Method in recognition of income tax expenses (income) and deferred taxes by applying all requirements in TAS 12 "Income Taxes"
Chapter 16	Provisions and Contingent Liabilities	<ul style="list-style-type: none"> • Provisions are not required to be discounted • Requires the entity to recognise employee benefits and includes the alternative of applying TFRS regarding employee benefits • Reduced disclosure requirements except choose to apply TAS 19
Chapter 17	Events after the Reporting Period	<ul style="list-style-type: none"> • No significant change from prior Thai Accounting Standard
Chapter 18	Revenue	<ul style="list-style-type: none"> • No significant change from prior Thai Accounting Standard
Chapter 19	Revenue recognition for Sales of Real Estate	<ul style="list-style-type: none"> • No significant change from prior Thai Accounting Standard
Chapter 20	Construction contracts	<ul style="list-style-type: none"> • No significant change from prior Thai Accounting Standard
Chapter 21	The Effects of Changes in Foreign Exchange Rates	<ul style="list-style-type: none"> • No significant change from prior Thai Accounting Standard
Chapter 22	Transitional provision and effective date	<ul style="list-style-type: none"> • The effect of changes in accounting policies will be adjusted retrospectively, except to the extent that it is impracticable

The above summary of TFRS for NPAEs should provide a high-level understanding of this new financial reporting standard. In the next issue of TFRS Insights, we will discuss the practical issues of applying Chapter 10 of TFRS for NPAEs "Property, Plant and Equipment", which is a significant change from the Thai accounting standards applicable in 2010.

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