

# REPORT ON THE OBSERVANCE OF STANDARDS AND CODES (ROSC) Kingdom of Thailand

## ACCOUNTING AND AUDITING April 30, 2008

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### Executive Summary

Thailand has made great efforts over the past ten years to improve the quality of corporate financial reporting. Considerable progress has been made on various fronts to strengthen the institutional framework of accounting and auditing, and to move towards converging Thai national accounting and auditing standards with international benchmarks. This report focuses on areas where stakeholders in the accounting profession in Thailand could consider making changes to strengthen the profession and increase consistency with global benchmarks.

The Federation of Accounting Professions (FAP) is the self-regulatory professional body, which is a member of the International Federation of Accountants. The FAP is also the standard-setter, perhaps overly stretched with many responsibilities covered by the volunteer efforts of its members. The FAP develops and reviews accounting standards, as well as audit and ethics standards in line with international good practices.

Thailand has in place legislation governing the creation and responsibilities of entities engaged in commercial activities: the Accounting Act, the Accounting Professions Act, and the Public Limited Companies Act. The Accounting Standard-Setting Committee reviews international standards and issues these as national standards, through the government processes, thereby significantly reducing the gap between Thai Accounting Standards and international standards. To aid in the implementation of Thai accounting and auditing standards, there is a need to improve the institutional framework, including the development of a standard-setting strategy and implementation plan, to enhance practical compliance and enforcement of standards. The Securities and Exchange Commission has established a monitoring and enforcement process. The SEC Accounting Supervision Department co-operates with the Federation of Accounting Professions on evaluation of the quality of auditors.

Enriched by significant input from stakeholders, this report makes recommendations for enhancements to the statutory framework, for institutional and policy development; independent reviews of audit practices; development of a strategy for continued convergence of Thai and international accounting standards with adoption of IFRS for public interest entities; broader training programs on practical application of the new accounting and auditing standards, and code of ethics for professional accountants; and continued development of accountancy curricula and teaching in universities throughout the country.

The recommendations contained in this report aim to build on the existing system, and offer the groundwork for a country action plan geared toward a strengthened infrastructure of corporate financial reporting in Thailand.

## PREFACE

Reports on the Observance of Standards and Codes (ROSC) is a joint World Bank and International Monetary Fund (IMF) initiative that helps member countries strengthen their financial systems by improving compliance with internationally recognized standards and codes. The ROSC was developed in the wake of the financial crises of the late 1990s as part of a series of measures to strengthen the international financial architecture. The global financial community considered that the implementation of internationally recognized standards and codes would provide a framework to strengthen domestic institutions, identify potential vulnerabilities, and improve transparency. Ultimately the ROSC aims to enhance countries' resilience to shocks and to better support their risk assessment and investment decisions. The ROSC involves preparation of reports in 12 key areas.<sup>1</sup> The ROSC Accounting and Auditing focuses on accounting and auditing standards and practices in the corporate sector, as well as the institutional framework that underpins the corporate financial reporting system in the country.

The Thailand ROSC Accounting and Auditing was prepared in active collaboration with the Federation of Accounting Professions, the Securities and Exchange Commission, the Bank of Thailand, the Office of Insurance Commission, Department of Business Development of the Ministry of Commerce, the Listed Companies Association, the Stock Exchange of Thailand, and accounting and auditing professionals. The review was conducted through a participatory process with these stakeholders and was led and facilitated by the Thailand country authorities. The review included facilitated discussions and roundtable meetings with representatives of the profession and other stakeholders.

We thank the officials and coordinators of the various institutions for their valuable assistance in facilitating this study. Specific feedback was sought and received from key personnel of the Federation of Accounting Professions, the Accounting Standard-Setting Committee, the Securities and Exchange Commission, the Bank of Thailand, and the Office of Insurance Commission.

This report was prepared by a task team of World Bank staff comprising M. Zubaidur Rahman, Program Manager (OPCFM); Jennifer K. Thomson, Senior Financial Management Specialist (EAPCO); and Nipa Siribuddhamas, Financial Management Specialist (EAPCO). Valuable input and advice has been provided by peer reviewers: George Barthes de Ruyter, Alexander S. Berg, Richard L. Symonds, Behdad Nowroozi and Henri Fortin. The task team worked under supervision of Iraj Talai, Regional Manager Financial Management (EAPCO).

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<sup>1</sup> The 12 ROSC areas are data transparency; fiscal transparency; monetary and financial policy transparency; banking supervision; securities; insurance; payment systems; anti-money laundering and combating financial terrorism; corporate governance; accounting; auditing; and insolvency and creditor rights.

## ACRONYMS

AICPA	American Institute of Certified Public Accountants
ASC	Accounting Standard-Setting Committee
BOT	Bank of Thailand
CPA	Certified Public Accountant
CPD	Continuing Professional Development
DBD	Department of Business Development
FAP	Federation of Accounting Professions
FASB	Financial Accounting Standards Board (U.S.)
GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standards Board
IAASB	International Audit and Assurance Standards Board of IFAC
ICAAT	Institute of Certified Accountants and Auditors of Thailand
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards (including IAS)
IAS	International Accounting Standards
IMF	International Monetary Fund
ISA	International Standards on Auditing
MOC	Ministry of Commerce
OCAP	Oversight Committee on Accounting Professions
OIC	Office of the Insurance Commission
ROSC	Reports on the Observance of Standards and Codes
SEC	Securities and Exchange Commission of Thailand
SET	Stock Exchange of Thailand
SIC	Standards Interpretations Committee
SME	Small and medium sized enterprises
TAS	Thai Accounting Standards
THB	Thai baht
TSA	Thai Standards on Auditing

## I. Introduction and Background

1. This report is part of a joint initiative of the World Bank and the International Monetary Fund (IMF) to prepare Reports on the Observance of Standards and Codes (ROSC). The accounting and auditing ROSC in Thailand mainly focuses on the strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting. It involves both a review of mandatory requirements and actual practices. The reference points of international standards used in this report are: International Financial Reporting Standards (IFRS)<sup>2</sup>, International Standards on Auditing (ISA),<sup>3</sup> and international experience and good practices in the field of accounting and auditing regulation.

2. The methodology used to conduct the analytical work for preparing this report includes application of the ROSC diagnostic template developed by the World Bank. The diagnostic template was complemented by a comprehensive due diligence exercise. The World Bank ROSC team met with the key stakeholders involved in accounting and auditing and corporate reporting in Thailand. Also, several discussion forums were held with groups of preparers and auditors of financial statements, investors, and financial analysts.

3. Thailand has a population of 64.7 million people and gross national income per capita of US\$2,990.<sup>4</sup> Over the last decade, Thailand has made progress in increasing incomes and improving living standards. Supportive factors of economic growth in 2007 include declining interest rates; lower oil prices; and lower inflation, which stimulate private consumption and investment.

4. The gross domestic product (GDP), which modestly grew by 4.3 percent in 2007 from 5.0 percent in 2006 and 4.5 percent in 2005, was driven mainly by relatively strong export growth. Total exports topped US\$130 billion, with exports of labor-intensive manufactured products growing steadily. Like in other countries in the region, the current account surplus and capital inflows are continued in 2007. These balance of payment inflows led Thailand to use capital controls early in 2007, most of which are now withdrawn; but the impact on market confidence lingers.

5. Significant reform of policies and institutions were undertaken after the Asian financial crisis of 1997 in Thailand. However, recent studies made by the Asian Development Bank indicate that the current slowdown in the five countries most affected in 1997 (Indonesia, Malaysia, South Korea, the Philippines, and Thailand) is due to falling investment rates. The studies suggest that the crisis had a lasting impact on investor perception.<sup>5</sup>

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<sup>2</sup> Within this report, IFRS refers also to International Accounting Standards (IAS) issued by the International Accounting Standards Board and each applicable interpretation (SIC and IFRIC) issued by the International Financial Reporting Interpretations Committee.

<sup>3</sup> Within this report ISA refer to the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

<sup>4</sup> Figures from end of 2006, World Bank, World Development Indicators 2007.

<sup>5</sup> Economist, March 31, 2007, page 30, with reference to the Asian Development Bank Annual Outlook.

6. Private investment in Thailand has been declining since 2004 with around zero growth in 2007, down from 4 percent in 2006 and 11 percent in 2005 but is expected to start rebounding in 2008. This low growth is due in part to investors remaining wary due to a high regulatory burden; inadequate availability of skilled labor; and, higher oil prices and global uncertainties, and the election and transition in 2007. Signals from the Government that there is a coherent plan to address these pressures at their source would help re-assure the market.<sup>6</sup>

7. Thailand has been on a long journey of financial change. In May 1974, long-awaited legislation establishing the Securities Exchange of Thailand was enacted. This was followed by revisions to the Revenue Code at the end of that year allowing the investment of savings in the capital market. By 1975, the basic legislative framework was in place and on April 30, 1975, the Securities Exchange of Thailand officially started trading. On January 1, 1991, its name was formally changed to the Stock Exchange of Thailand (SET).

8. In 2007, the SET had 475 listed companies with a market capitalization of 6,636,068 million Thai Baht (THB). This represented 78 percent of Thai GDP in 2008.<sup>7</sup> Also, the secondary Market for Alternative Investment, with 48 listed companies, comprises a market capitalization of 38,268,98 million THB.

9. There are 34 commercial banks in Thailand – 18 Thai commercial banks (of which one is a state-owned bank<sup>8</sup> and three are retail banks). Total assets of commercial banks as at December 31, 2007 was 9,006 billion THB. The banking sector continues a period of bank consolidations. All Thai commercial banks, except one bank and retail banks are listed on the Thailand Stock Exchange; and therefore their financial statements are reviewed by the Securities and Exchange Commission.

## II. Institutional Framework

### A. Statutory Framework

10. **The Accounting Act B.E. 2543 (2000) provides the basic requirements relating to financial reporting by all business entities incorporated in Thailand.**<sup>9</sup> The Accounting Act requires that, registered partnerships, limited companies, public limited companies established under Thai Law, and joint ventures and foreign entities operating in Thailand under the Revenue Code have a duty to maintain books of accounts. According to the rules prescribed under the Accounting Act; such accounts must be kept for a period of at least 5 years after the accounting period. The rules prescribe that Thai Accounting Standards (TAS) are mandatory for accounting and financial reporting by all business entities. The Ministry of Commerce, Bureau of Business Supervision of the Department of Business Development, is responsible for administering and implementing the Accounting Act.

11. **The Accounting Professions Act B.E. 2547 (2004) governs the accountancy profession in Thailand.** A broad revision of the profession's regulation was undertaken

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<sup>6</sup> World Bank, Thailand Economic Monitor, April 2007 and November 2007.

<sup>7</sup> SET Statistics

<sup>8</sup> State-owned bank means the bank in which government's ownership interest is more than 50 percent.

<sup>9</sup> Accounting Act, B.E. 2543 (2000), Chapter 2, The Duty to Keep Accounts.

and resulted in this Act being issued in 2004 transferring into law much of the self-regulatory practices of the former professional body, the Institute of Certified Accountants and Auditors of Thailand (ICAAT). This Act repealed the Auditor Act B.E. 2505 that regulated only auditors and introduced a new regulatory framework under which all accounting professions - auditing, accounting/bookkeeping, managerial accounting, tax accounting, accounting education and technology and other accounting services—are supervised by a self-regulatory organization “The Federation of Accounting Professions (FAP).” The FAP is in charge of implementing the Accounting Professions Act under the overall administration of the Ministry of Commerce. Under this Act, “An Oversight Committee on Accounting Professions” was created to oversee the activities of the FAP, endorse Thai accounting standards and rules developed by the Accounting Standard-Setting Committee of the FAP, and consider appeals regarding FAP’s activities. The Oversight Committee comprises 14 members—seven from the Government sector, three from the private sector, one from the FAP, two accounting professionals and one legal professional. Following is the list of members of the Oversight Committee on Accounting Professions:

- Permanent Secretary of the Ministry of Commerce – Chairman of the Oversight Committee
- Secretary General of the Office of Insurance Commission
- Director General of the Department of Revenue
- Director General of the Department of Business Development
- Governor of the office of the Auditor General of Thailand
- Governor of the Bank of Thailand
- Secretary General of the Office of the Securities and Exchange Commission
- President of the Federation of Accounting Professions
- President of the Federation of Thai Industries
- President of Thai Bankers Association
- President of Thailand Chamber of Commerce
- Two experts on accounting and one expert on law.

The Department of Business Development is responsible for performing administrative activities relating to the operation of the oversight committee.

**12. The Accounting Professions Act includes, among others, prescriptions for the following:**<sup>10</sup>

- Authority, organization, membership and functioning of FAP;
- Accounting Standards Committee (ASC), the accounting standard-setter;<sup>11</sup>
- Auditing Professions Practices Control, including qualifications and licensing of auditors;
- Setting auditing and ethics standards;
- Accounting/bookkeeping professional qualifications and registration;
- Enforcing professional ethics for auditors and accountants and the investigation and discipline of members; and
- Supervision of the professions.

<sup>10</sup> Accounting Professions Act, Chapters I-VIII.

<sup>11</sup> Accounting Act B.E.2543 (2000) ensures that accounting standards developed by the FAP Accounting Standards Committee would have legal standing, whereas formerly they were merely prescriptions of the ICAAT and without legal authority.

13. **Under the Accounting Professions Act, corporate accountants/bookkeepers and auditors must be members of the Federation of Accounting Professions.** They must perform their duties in accordance with the accounting, auditing, and ethical standards prescribed under the Act. The Act provides that the Accounting Standard-Setting Committee of the FAP will develop and the Oversight Committee on Accounting Professions will approve accounting standards and that the standards will be published in the Royal Gazette; and the Federation of Accounting Professions will prescribe auditing and ethical standards.

14. **The *Public Limited Companies Act B.E. 2535 (1992)*, requires that companies offering shares to the public provide to shareholders the balance sheet and the profit and loss statement together with the audit report in accordance with the requirements set under the Accounting Professions Act (formerly Auditing Act).**<sup>12</sup> The shareholders of a public limited company will appoint an auditor at the annual general meeting and shall determine the audit fee, based on recommendation of the company directors. All public companies (listed and non-listed), companies that obtain a securities license, companies that issue debentures (even if they are private companies), and commercial banks registered in Thailand under the *Commercial Banking Act B.E. 2505 (1962)* are required to prepare consolidated financial statements. Other entities are not required to prepare consolidated financial statements.

15. **The *Securities and Exchange Act B.E. 2535 (1992)* stipulates that the Securities and Exchange Commission, a single supervisory agency, act as the regulator of the Thai capital market.**<sup>13</sup> The capital market is governed by the Securities and Exchange Commission Act and all rules and regulations of the Securities Exchange Commission. These legislative and regulatory instruments require all companies offering securities to the public as well as regulated entities to prepare quarterly financial statements and any financial statements for any period according to Thai Accounting Standards.<sup>14</sup> Annual financial statements of such companies and half yearly financial statements of all security companies must be audited, and quarterly financial statements of companies offering securities to the public must be reviewed by an SEC-approved auditor, who has been scrutinized by the FAP Quality Screening Committee and approved by the SEC.

16. **Entities regulated by the Securities and Exchange Commission are required to submit other information, such as the annual report and special reports, to inform of particular events.** For example, the Checklist for Disclosure of Related Party Transactions<sup>15</sup> must be complied with and the financial statements must be accompanied by an Annual Registration Statement (Form 56-1).<sup>16</sup> The directors and management of the

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<sup>12</sup> Public Limited Companies Act, Chapter VIII, Accounts and Reports. The Auditing Act (1962) was repealed and replaced by the Accounting Professions Act in 2004.

<sup>13</sup> [www.set.or.th](http://www.set.or.th)

<sup>14</sup> Division 5 of the Securities and Exchange Act B.E. 2535, S. 56-62.

<sup>15</sup> Checklist for Disclosure of Connected Transactions in Notes to the Financial Statements' requires directors, managers, and persons in management and auditors to prepare and disclose reports to the SEC on each person's holdings and the holdings of spouses and children in the company within 30 days after they are appointed and to notify any changes to such holdings within three days of a change transaction. The Checklist is an explanation of a report under S. 59 relating to securities holdings of management.

<sup>16</sup> Form 56-1 requires specific information, including information on the nature of business operations, description of each product line, risk factors of the business, legal disputes, research and development activities and other future plans etc.

company are responsible and accountable for the financial statements; and if required, the Securities and Exchange Commission is empowered to ask for additional information or explanations from the company and/or from the auditor. The auditor may be required to present his/her audit working papers to the Securities and Exchange Commission for deeper review. Violation of the Securities and Exchange Act and its rules and regulations is a criminal offence for both the company and company management.

17. **The Bank of Thailand Act B.E. 2485 (1942)<sup>17</sup> empowers the Bank of Thailand to regulate the banking sector.** The *Commercial Banking Act B.E. 2505 (1962)* further empowers the Bank of Thailand to regulate commercial banks, which includes foreign bank branches. Also, the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business B.E. 2522 (1979) empowers the bank of Thailand to govern finance companies and credit foncier companies. Moreover, the Ministry of Finance has delegated to the Bank of Thailand the authority to supervise the deposit-taking specialized financial institutions such as the Government Savings Bank, Government Housing Bank, Bank for Agricultural Co-operatives, and the SME Development Bank.

18. **Financial institutions are under legal obligation to prepare and present semi-annual and annual financial statements.** According to the requirements set by the Commercial Banking Act B.E. 2505 (1962) and the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business B.E. 2522 (1979),<sup>18</sup> financial institutions must prepare semi-annual and annual financial statements. These semi-annual and annual financial statements must be audited and publicly disclosed within 90 days and 4 months after the end of accounting period, respectively. The annual financial statements must be audited by an auditor approved by the Bank of Thailand (BOT), posted and made available in a public place in the bank's offices, published in at least one daily newspaper, and submitted to the Minister and the Bank of Thailand within 21 days after their approval at the general meeting. Other disclosures required of financial institutions, such as a monthly summary statement, will be disclosed on the BOT website.

19. **To promote the insurance industry, the Government enacted the *Office of the Insurance Regulation and Promotion Commission Act B.E. 2550 (2007)*.** Under this new Act, the Office of the Insurance Commission (OIC) was set up on September 1<sup>st</sup>, 2007 as the national insurance regulator under the Ministry of Finance. The OIC is a transformation from the Department of Insurance of the Ministry of Commerce. The Ministry of Finance is directly responsible for the OIC with the support of the Ministry of Commerce. The OIC does not have the authority to license insurance auditors in a similar way as does the Securities and Exchange Commission and Bank of Thailand. The insurance industry in Thailand comprises some 98 insurance companies, of which 18 are listed companies that are also under the supervision of the Securities and Exchange Commission. Recent amendments to the Life Insurance Act and Non-Life Insurance Act require all insurance companies to transform into public companies within 5 years after the law has been effective. Strong regulation is an important part of ensuring confidence in the insurance sector and the recent legislative developments are strengthening regulation.

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<sup>17</sup> The Bank of Thailand Act B.E. 2485 (1942) was amended by the Bank of Thailand Act (No. 4) B.E. 2551 (2008), which has been enforced since March 4, 2008.

<sup>18</sup> The Commercial Banking Act B.E.2505 (1962) and the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business B.E. 2522 (1979) will be superseded by the new Financial Institutions Business Act B.E. 2551 (2008) on August 3, 2008.



20. **Three other pieces of legislation govern the insurance industry in Thailand – the Life Insurance Act B.E. 2535 (1992); Non-life Insurance Act B.E. 2535 (1992); and Motor Vehicle Accident Victims Act B.E. 2535 (1992).**<sup>19</sup> The Life and Non-Life Insurance Acts are key to the industry. These legislative instruments require insurance companies to keep registers and accounting books in the form and particulars as prescribed by the Insurance Commissioner.<sup>20</sup> Insurance companies are required to submit their annual financial statements within five months from the last day of the calendar year<sup>21</sup> to the Office of the Insurance Commission (OIC), which is responsible for monitoring statutory insurance financial reporting. Also as registered companies, the insurance companies are required under the Accounting Act to apply ASC/FAP-issued Thai Accounting Standards in their general purpose financial statements. There is a need for continuing alignment of the industry specific accounting and reporting practices with the Thai Accounting Standards to ensure consistent guidance for insurance company accounting and reporting.

21. **Efforts are being made to develop simplified financial reporting requirements for the small and medium-sized enterprises (SMEs).** The FAP has established a working committee to develop accounting guidelines for SMEs. The committee has explored various alternatives, and dialogues with relevant parties are underway at national, regional and international levels. At present, according to regulations pursuant to the Accounting Act B.E. 2543 (2000), all non-public companies are exempted from mandatory compliance with the following seven TAS issued by the Thai Accounting Standard-Setting Committee of the FAP.

TAS 24: Segment Reporting

TAS 25: Cash Flow Statements

TAS 36: Impairment of Assets

TAS 44: Consolidated and Separate Financial Statements

TAS 45: Investments in Associates

TAS 47: Related Party Disclosures

TAS 48: Financial Instruments—Disclosure and Presentation

On July 20, 2007, the FAP issued Notification No. 21/2550 exempting all non-public companies from compliance with the above seven standards plus TAS 46 – Interests in Joint Ventures. Currently, the non-public companies are exempted from mandatory compliance with eight Thai Accounting Standards. However, as to non-public securities companies, only TAS 24 – Segment Reporting and TAS 47 – Related Party Disclosures are exempted

22. **In practice, the business enterprises that are not required to fully comply with the eight TAS, are mostly SMEs.** It is worth noting that all listed companies are public companies; but all public companies are not necessarily listed companies, therefore where enterprises are not SMEs, the exemptions limit the level of information provided to users

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<sup>19</sup> The Life Insurance Act B.E. 2535 (1992) was amended by the Life Insurance Act (No. 2) B.E. 2551 (2008), which has been enforced since February 2, 2008; the Non-life Insurance Act B.E. 2535 (1992) was amended by the Non-life Insurance Act (No. 2) B.E. 2551 (2008), which has been enforced since February 6, 2008; the Motor Vehicle Accident Victims Act B.E. 2535 (1992) was amended by the Motor Vehicle Accident Victims Act (No. 5) B.E. 2551 (2008), which has been enforced since August 29, 2008.

<sup>20</sup> S. 40 of the Life Insurance Act and S. 44 of the Non-life Insurance Act.

<sup>21</sup> S. 43 of the Life Insurance Act and S. 47 of the Non-life Insurance Act; after the amendments in footnote #19, the period for submitting the annual financial statements and returns will be stipulated in subsidiary regulation.

of the financial statements and such limitations can impair the usefulness of the statements. The Accounting Standard-Setting Committee of FAP has issued a paper explaining to the companies that are exempted from applying the above eight TAS, that they must apply the Framework of Financial Statements Preparation. For example, they still have to recognize a loss when it is certain that an asset is impaired; but the measurement of the loss does not have to strictly follow TAS 36 on Impairment of Assets. Any non-public company which is a subsidiary of a public company must apply the same (all) TAS as its parent.

**23. Registered partnerships under certain size are not required to have an annual statutory audit.** According to a provision of the Accounting Act, and related Ministerial Regulations issued by the Ministry of Commerce, registered partnerships meeting all of the following three criteria are exempt from requirements on statutory auditing of annual financial statements by a Certified Public Accountant:

- capital under 5 million BHT<sup>22</sup>,
- total assets under 30 million BHT, and
- total revenue under 30 million BHT,

However, these enterprises, for tax reporting purposes, are required to have their financial statements audited by tax auditors. The licensed tax auditors are trained to perform tax audits of partnerships, and are governed by the Revenue Department

## **B. The Profession**

**24. The organization and structure of the profession in Thailand is established under the Accounting Professions Act B.E. 2547 (2004), and has been under the patronage of His Majesty the King since September 2005.** The Accounting Professions Act provides for the establishment of the FAP Council, Accounting Standard-Setting Committee, Professional Ethics Committee, and other FAP committees. From 1948 to 2004, the Institute of Certified Accountants and Auditors of Thailand (ICAAT) was the only institute for the accounting profession in Thailand. Its objective was to promote and enhance accounting and auditing professionals to reach international standards. The ICAAT was dissolved on January 29, 2005 after the FAP was established on October 23, 2004 by the enactment of the Accounting Professions Act B.E. 2547 (2004).

**25. The Federation of Accounting Professions is a member body and a standard-setter.** The FAP is responsible for promoting the unity and integrity of its members and supporting their welfare and networking for mutual benefit.<sup>23</sup> It is also responsible for promoting education, training, and research with respect to accounting professions; certifying accounting degrees or diplomas of educational institutions as credentials for FAP membership; and certifying the knowledge, expertise, and curriculum required of practitioners in any field of the accounting professions. Among its authority, the FAP is charged with monitoring members, particularly the CPA members and has authority in the following areas:

- Licensing, suspending and revoking the accounting professional license for individuals;
- Registering all accounting firms;

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<sup>22</sup> As at 15 January 2008, US\$1.00 = 32.35 BHT

<sup>23</sup> Accounting Professions Act B.E. 2547, Section 7.

- Setting the accounting, auditing, ethics, and any other standards in conjunction with the accounting profession;
- Establishing the Code of Conduct for all Accounting Professions; and
- Regulating the conduct and practices of members and registrants to make them comply with the Code of Accounting Profession ethics.

26. **The Federation of Accounting Professions is a member of the International Federation of Accountants.** The ICAAT obtained membership of IFAC in 1978. As the successor body of ICAAT, the Federation of Accounting Professions obtained IFAC membership in 2005. The FAP is also a member of the Asean Federation of Accountants (AFA).

27. **The Federation of Accounting Professions continues its transition from the ICAAT.** With its working organization established, the FAP has some 10 provincial branches and 43 staff. Its funding comes predominantly from member fees and member training seminars. Membership dues as prescribed by the Accounting Professions Act currently are 500 THB per annum. In total, the FAP has 40 committees involving about 450 individuals. The FAP is comprised of some 50,000 members, including about 7,000 certified public accountants (CPAs). The structure of the profession is such that the majority of accounting and auditing practitioners are from small firms. The FAP has limited financial resources to undertake professional development activities, however a significant range of professional development activities are conducted by the FAP through the major contributions of experts providing through services on a voluntary basis. Since FAP is a self-regulatory professional body, most of its “public-interest” activities are supported by its own resources. In the longer term, the FAP would benefit from a more adequate funding base to enable it to provide more effective professional development activities.

28. **Of the 7,000 CPA members, 110 belonging to 26 audit firms are approved by the Securities and Exchange Commission to undertake the audits of listed companies.** The Bank of Thailand also approves and authorizes auditors to audit banks and financial institutions. At present, the BOT approved bank auditors belong to the local affiliates of Big-4 international networks of accounting firms, and the Office of the Auditor General of Thailand. The Office of the Auditor General of Thailand audits state owned banks, financial institutions and all state-owned enterprises. The OIC does not have similar powers with regard to the appointment of auditors of insurance institutions.

29. **Auditors are approved by the Securities and Exchange Commission to audit regulated entities for a five-year period.** Re-approval is granted by the SEC after a subsequent review of auditor’s performance by the FAP Quality Screening Committee. For the reviews of auditor performance, the Securities and Exchange Commission relies mostly on the Federation of Accounting Professions which reviews the quality of the auditors’ work.

30. **The Securities and Exchange Commission and the Bank of Thailand require rotation of auditor (not audit firms) every five years.** The auditor, in this case, means the CPA who signs the audit opinion. For auditors approved by the BOT, this requirement came into effect since 2002; and for the SEC-registered auditors, this requirement came into effect on January 1, 2006. To date, the five-year rotation requirement has not had an impact on the audit market of Thailand. It should be noted that the rotation requirement

applies to the licensed auditors and not audit firms. On inquiry, the Securities and Exchange Commission and the major firms that audit listed entities do not envisage audit supply problems with the requirement.

31. **The Federation of Accounting Professions reviews the audit working papers of the particular auditor to assess the quality of the auditor's work.** The quality assurance procedures, internal quality controls, and audit methodologies of the auditor and/or their audit firm are not reviewed, separately from the review of the audit working papers. Normally, the reviews do not include an on-site examination of practices of the auditor or the audit firms of the auditors. Further, IFAC International Standard on Quality Control (ISQC 1) has only recently been translated and is not yet applicable in Thailand. The application of ISQC 1 by the FAP is considered an important future development for improving audit practice in Thailand.

32. **The Federation of Accounting Professions responds and investigates issues of noncompliance referred to it, but the enforcement regime needs strengthening.** The Accounting Professions Act (S. 46) requires all FAP members to follow the applicable accounting, auditing, and ethics standards. There is no arrangement in place for monitoring and enforcing compliance with these requirements on a regular basis. The FAP can refer issues of non compliance to the Ethics Committee which, after investigation, can sanction members if they have not correctly applied the required standards. The FAP and Ethics Committee have no powers to sanction its members for criminal or civil illegalities. Such cases are pursued through the court system, which involves lengthy procedures. Some court proceedings against auditors, including the appeals processes, are on-going after 10 years.

33. **The Committee on Professional Ethics has responsibility to investigate and discipline FAP members.**<sup>24</sup> The Ethics Committee is comprised of between 9 and 15 respected and suitably qualified individuals proposed by the FAP Council for the approval of the FAP AGM. Ethics Committee members cannot be involved in any other FAP committees or sub-committees. The Ethics Committee can demand explanations, documents, and other evidence that will assist investigations of cases referred to it. In making its findings, the Ethics Committee operates as competent officials under the Penal Code and has the power to warn, put on probation, suspend, and revoke a licence or registration.<sup>25</sup> The law does not provide the Ethics Committee with the capacity to impose the full range of penalties recommended by IFAC. For example, it does not have the capacity to fine or to impose further training for infringements. Appeals against disciplinary measures imposed by the Ethics Committee are possible and can be made to the Oversight Committee on Accounting Professions.

### **C. Professional Education and Training**

34. **The Federation of Accounting Professions requires that its potential members to have successfully completed a bachelor's degree in accounting or its equivalent at one of the universities in Thailand approved by the FAP.** These courses include accounting and auditing standards, taxation, and management accounting; and in general cover the IFAC core knowledge content. Separate courses in professional ethics in

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<sup>24</sup> Accounting Professions Act, S. 53.

<sup>25</sup> Accounting Professions Act, S. 49.

accounting are prescribed within the curricula. No further education or training is required of accountants unless they wish to undertake audit activities. The Accounting Professions Act requires that all bookkeepers and accountants must be FAP members in order to practice as accountants.<sup>26</sup>

35. **Because of their highest level of accounting responsibility in a company, the lead corporate accountants are required to hold a bachelor degree in accounting.** According to the Accounting Act B.E. 2543 (2000) and pronouncements pursuant to that Act, a bachelor's degree in accounting is required for the position of leading accountant in companies with issued share capital exceeding 5 million THB, or total assets exceeding 30 million THB, or total revenues exceeding 30 million THB.

36. **The requirements for awarding CPA qualification and maintaining CPA status consist of three major elements of practical training, examination and continuing professional development.** The FAP registers and licenses all auditors in accordance with the Accounting Professions Act,<sup>27</sup> and FAP-prescribed rules. Auditors must be CPA members of the FAP. The CPA-qualifying criteria include completion of a practical training arrangement, the qualifying examinations leading to the CPA status, and continuing professional development to maintain the status; and never having been bankrupt or imprisoned, or compromised by any other prohibitions prescribed under the rules of the accounting profession.<sup>28</sup>

37. **The practical training arrangements for potential audit practitioners could be strengthened.** Candidates seeking to be an auditor must have 3,000 hours of practical training experience in auditing, under the supervision of a CPA, within three years. At the end of each year potential auditors must file a log of their learning with the Federation of Accounting Professions. The log must be certified by a CPA and is verified by the FAP. Candidates must pass 6 further qualifying examinations within three years. The requirements for licensing registration of auditors should be strengthened with requiring trainee-auditors to undertake supervised practical training in authorized audit firms, and with enhanced monitoring by the FAP of the capabilities of the practical training providers.

38. **In any given year, approximately 3,000 candidates attempt the professional CPA examinations.** Examinations for potential CPAs are administered and set by the FAP and cover professional practices, accounting, auditing, legislation and regulation applicable to professional activities and information technology. Examination results overtime shows that approximately 5-6% candidates pass each examination. Given the low pass level, the FAP should consider if the demand for auditors in Thailand is being met by the number of successful candidates entering into the profession. Further, such pass rates may indicate a need to review the education/examination practices in use.

39. **The Federation of Accounting Professions requires the CPAs (auditors) to meet its prescribed continuing professional development (CPD) requirements of 12 hours per annum.**<sup>29</sup> This requirement is below international good practices and standards

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<sup>26</sup> Accounting Professions Act B.E. 2547, Chapter VI, S. 44.

<sup>27</sup> Accounting Professions Act B.E. 2547, Chapter V.

<sup>28</sup> Accounting Professions Act B.E. 2547, S. 39.

<sup>29</sup> The FAP requires that CPA (auditors) attend 12 hours of continuing professional development per annum

set by IFAC<sup>30</sup>. The CPD requirements recently have been reduced from the previously proposed 20 hour per annum with completion of 60 hour in any given three year period. Different levels of continuing professional development are required of FAP accountant members and CPA members. Registered FAP accountant members are required by MOC to undertake 9 hours of CPD per annum – a total of 27 hours per triennium, in contrast with the CPA members' requirement of 12 hours per annum – a total of 36 hour per triennium.

**40. The CPD courses are required to be accredited by the Federation of Accounting Professions.** A wide variety of sources are accredited to provide CPD qualifying courses. Self-study is not currently permitted as part of continuing professional development. The major accounting firms have higher education requirements for their staff and provide considerable in-house training for their employees, additional to the FAP continuing professional education requirements.

**41. Leading universities in Thailand offer internationally comparable accountancy education, however, accountancy education in many academic institutions throughout the country, needs improving to meet the needs of a modern profession.** The leading universities have high standard curriculum, teaching, texts and materials. Accounting education at the university level has encountered problems since upgrading of vocational colleges throughout the country to the university status. This upgrading took place about two years ago. Many of these upgraded universities face challenges in maintaining high quality accountancy programs. Consequently, the standard of accountancy education varies significantly among higher educational institutions throughout the country. Most of the students who graduate from accountancy programs in these higher educational institutions, receive basic knowledge of bookkeeping and related subjects that they can very well apply in bookkeeping and accounting jobs in small and medium-sized businesses, which constitute the majority of businesses in Thailand. The leading universities of Thailand have internationally comparable accountancy curriculum and teaching. The students at the leading universities often use United States text books for learning purposes. This is encouraged by the instructors most of whom have received higher education in foreign countries, mainly in the United States of America.

#### **D. Setting Accounting and Auditing Standards**

**42. Under the Accounting Professions Act, the Accounting Standard-Setting Committee of the Federation of Accounting Professions is responsible for the development of accounting standards.** The Oversight Committee is responsible for legal endorsement of the accounting standards. FAP's Auditing Standards Committee and Ethics Code Setting Sub-Committee are responsible for setting auditing and ethics standards respectively. The Code of Ethics is currently only applicable to CPA (auditor) members; and not to all FAP members. The FAP has decided that the revised Code currently being drafted will apply to all FAP members.

**43. The key standard-setting committees gain their technical inputs from part-time volunteer members from the major firms, regulators, and academia.** Key

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<sup>30</sup> IFAC IES7 stipulates that professional accountants should complete a minimum of 20 hours per annum of verifiable CPE and complete at least 120 hours of relevant professional development activity in each rolling three-year period

committees, such as the Accounting Standard-Setting Committee and the Auditing Standards Committee, operate with voluntary services by the members. These individuals are hampered by the limited time they can devote to what should be full-time work of a standard-setter. In many circumstances these individuals rely upon the support provided from their firms.

44. **The SEC and the FAP have been collaborating for issuance of high quality accounting and auditing standards.** In November 2006, the Securities and Exchange Commission and the Federation of Accounting Professions signed a Memorandum of Understanding for the development of Thai Accounting Standards, auditing standards, and code of ethics for professional accountants in line with the changing international standards. On this occasion, the Securities and Exchange Commission contributed 9.3 million THB (US\$256,502) in support of the FAP goals. The project is another step toward securing investor confidence and industry competitiveness of Thai capital market.

### *Accounting Standards*

45. **The accounting standards are developed within the institutional framework of the Federation of Accounting Professions, and endorsed by the Oversight Committee on Accounting Professions under the Ministry of Commerce.** The Accounting Standard-Setting Committee (ASC) is primarily responsible for developing Thai accounting standards. This Committee comprises between 7 to 11 expert individuals plus representatives from the Office of Insurance Commission, Department of Business Development, the Department of Revenue, the Bank of Thailand, the Office of the Auditor-General and the Securities and Exchange Commission.<sup>31</sup> At present, three members of the ASC come from the major accounting firms in Thailand. Inadequate resources at the disposal of the Accounting Standard-Setting committee constrain speedy issuance of Thai Accounting Standards to keep pace with the new developments and revisions of International Financial Reporting Standards.

46. **The due process of issuing Thai accounting standards includes:**

- Initial Thai language translation of an IFRS, using an agreed glossary of terms;
- Preparation of a draft Thai accounting standard on the basis of a translated IFRS;
- ASC review and amendment of the draft Thai accounting standard;
- Exposure and public discussion of the draft standard;
- Final ASC review and recommendation to the Federation of Accounting Professions;
- Consideration and approval of the draft by the Federation of Accounting Professions<sup>32</sup>;
- Review and final approval by the Oversight Committee on Accounting Professions;
- Publication of the approved Thai accounting standard in Thai language in the Royal Gazette.

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<sup>31</sup> Accounting Professions Act, S. 59

<sup>32</sup> The FAP review involves scrutinizing the draft by the Sub-Committee, the returning of the draft standards to the ASC for revision based on recommendations of the FAP and re-submitting of the draft standard to the FAP for approval

47. **Under normal circumstances, the process of issuing a Thai accounting standard takes approximately 1½ years.** The time gap between publication of a Thai accounting standard and its mandatory applicability is about one year. In some circumstances, the applicability period may be less than one year if the standard is relatively consistent with current practice.

48. **The Thai program of converging TAS with IFRS is hampered by various constraints including inadequacy of resources at the disposal of the Accounting Standard-Setting Committee.** Progress on issuing IFRS-based Thai accounting standards has been slower than anticipated due to the large volume of new and revised IASB-issued standards issued in the period 2003-07. Besides, the ASC and the FAP need time to carefully assess the suitability of IFRS requirements under the Thai environment. Given the expected and continuing IASB work program, the ASC needs some permanent and full-time staff in order to catch up with the IASB's current and future standard-setting work.

49. **The convergence lag also reflects the need to translate all IFRS into Thai language.** Translation into local language has provided challenges for the accounting profession globally. In order to put in place an arrangement for efficient and effective translation of IFRS into Thai language, the Accounting Standard-Setting Committee needs to adhere to the IASB translation processes to ensure consistent application of terms and a disciplined translation process. A suitable translation software should be identified in order to properly manage the translation process. To achieve a further reduction in time lag, the ASC needs to consider drafting Thai accounting standards based on translation of the IASB-issued exposure drafts, and finalizing the draft standards immediately after issuance of finally approved IASB's standard or interpretation.

50. **The Bank of Thailand has issued circulars related to accounting, auditing, and reporting matters, including where there are no Thai Accounting Standards, to guide the preparers of financial statements.**<sup>33</sup> Circulars include consideration of the balance sheet and the profit and loss account, and disclosures in the notes to the financial statements; criteria for approving an auditor; accounting for loans, investments, and sales on foreclosed assets; and the notifications required of irrecoverable assets and doubtful debts. These circulars ensure that all banks apply appropriate accounting and reporting standards that are consistent with IFRS and Thai Accounting Standards. Such notifications do not apply to specialized financial institutions under the authority of the Ministry of Finance. A new regulation requires specialized financial institutions to apply IAS 39 for loan loss provisioning by the end of 2009.

### ***Auditing and Ethics Standards***

51. **Auditing and professional ethics standards are developed by designated committees of the Federation of Accounting Professions.** The standards are then issued by the Federation under the authority of the Accounting Professions Act.<sup>34</sup> The Thai Standards on Auditing are based on International Standards on Auditing as issued by the International Auditing and Assurance Standards Board (IAASB) of IFAC. The process of

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<sup>33</sup> The circulars are issued by the BOT under S. 14 of the Commercial Banking Act, which gives it the power to issue prescriptions on certain matters, such as the form and periods of disclosures required.

<sup>34</sup> Accounting Professions Act, S.7(3).



developing and issuing auditing and ethics standards is similar to the one followed for accounting standard setting.

**52. The Auditing Standards Committee of FAP has a major program of issuing local auditing standards equivalent to all international standards on auditing and international auditing practice statements.** As of mid-2007, there were 37 Thai Standards on Auditing in line with International Standards on Auditing. At that time, there were 58 International Standards on Auditing and International Auditing Practice Statements, including those relating to quality control, auditing practices, assurance and review engagements, and related services. The Auditing Standards Committee has a major revision program underway.

**53. The number of ISA-equivalent Thai auditing standards would indicate that the auditing standard-setting process has kept pace with international developments more so than accounting standards.** When dealing with audit standards, there are fewer stakeholders who are more able to agree on the appropriate standard for Thailand. Furthermore, the international accounting firm networks (the Big 4) apply ISA. The standard-setting process is still dependent on the technical and voluntary input from the large accounting/auditing firms. Work will be on-going in accordance with the IAASB work program.

**54. The Code of Ethics for the profession in Thailand has been developed based on the fundamental principles which are in line with the IFAC Code.** The current Ethics Code which was implemented in 1991, is applicable only for auditors of all registered firms, and medium and large-sized partnerships. However, in order to protect the public interest and ensure that certain fundamental principle issues of Ethics Code are in line with international good practices, additional rules and requirements set forth by the SEC and relevant government units must be followed by auditors of listed companies and other related public interest entities. At present, the FAP is in the process of revising and updating the current Ethics Code to be in accordance with the Accounting Profession Act, as well as the updated version of IFAC's Code. The revised Ethics Code, which will be applicable also to the accountant members, has been developed by the Sub-Committee for the Ethics Code Setting of the FAP, and is based on the 2005 version of IFAC Code of Ethics. The new version of the Thai Ethics Code is expected to be completed and come into effect before the end of 2008.

## **E. Ensuring Compliance with Accounting and Audit Standards**

**55. The Securities and Exchange Commission has put in place arrangements for reviewing the financial statements of listed companies.** The purpose of this review is to determine the degree of compliance with the applicable accounting and financial reporting requirements. The reviewers also make inquiries on issues relating to the audit reports. However, the SEC does not conduct reviews of audit firms' practices to assure the quality of audit practices. The SEC does not have a mandate to carry out such audit practice reviews. It does refer matters to the Federation of Accounting Professions and also can withdraw the SEC registration of an auditor disallowing him/her to be involved in the audit of SEC-regulated entities.

**56. The Securities and Exchange Commission has set up the Auditor Disciplinary Steering Group, but evaluation of auditors performance and operation of**

**disciplinary activities are somewhat fragmented.** The Steering Group is a collaborative effort between the Securities and Exchange Commission and the Federation of Accounting Professions to ensure the sharing of information and fair assessment of auditor's performance and to prevent redundant penalties on auditors for infractions in the conduct of audit of the regulated entities. In general, however, it appears that the review of audit working papers, evaluation of auditor's performance, and operation of disciplinary activities are fragmented and not comparable to current global developments in this regard. For example, there is no mechanism in the country for audit practice review by an independent oversight body. In today's world, there is no denying the fact that audit quality assurance is enhanced by independent review of the audit practice; which should be in addition to the audit working paper review. The competence of an individual audit practitioner is important; however it is much more important to have strong quality assurance arrangements in the firm where the individual auditor belongs.

**57. The SEC Accounting Supervision Department was created primarily to ensure compliance with the applicable accounting standards by the listed companies.** This Department has 22 staff, with expertise in accounting, auditing, and financial analysis. The Accounting Supervision Department's work plan on financial statements review covers 523 companies that are listed on the Stock Exchange of Thailand and the secondary Market for Alternative Investments at least once every three years. The Securities and Exchange Commission, the Bank of Thailand, and the Office of Insurance Commission have signed a Memorandum of Understanding to share information discovered in their various regulatory roles. This information sharing focuses not only on observance of prudential regulations, but also on the accounting and auditing requirements. On a practical level, such exchanges do not appear to take place on a regular basis due to the absence of a more formalized arrangement.

**58. The SEC Corporate Finance Department oversees general compliance with various market regulations, including disclosure requirements.**<sup>35</sup> The Corporate Finance Department is distinct from the Accounting Supervision Department. The objective of its examinations is to ensure that the investor receives adequate information in the annual report for their investment decision. Companies subject to this separate review are selected through a risk-based selection process.

**59. Since its establishment in 1992, the Securities and Exchange Commission has instructed more than 41 companies to revise or restate their financial statements, and has suspended 7 auditors of listed companies.** In its reviews, if the Securities and Exchange Commission finds unusual items or noncompliance with accounting or auditing standards, it will make inquiries of the auditor and/or of the listed company. The Commission may even require access to the auditor's working papers to enable a deeper review. It may also order a separate and 'special audit' to verify the position. If issues are found with regard to the work of the auditor, the Securities and Exchange Commission forwards the matter to the SEC Auditor Disciplinary Steering Group. If sufficient grounds, the Group forwards the issue to the Ethics Committee.

**60. The Bank of Thailand (BOT) addresses issues related to general purpose financial reporting by banks and similar financial institutions, in the course of**

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<sup>35</sup> Disclosure requirements are stated in Bor.Jor/Por. 11-00, Regulation of the Stock Exchange of Thailand, issued by virtue of S. 170 (7) of the Securities and Exchange Act B.E. 2535.

**carrying out monitoring and enforcement of prudential regulations.** The officials of the Department of Bank Supervision & Examination of BOT undertake quarterly off-site and annual on-site examinations of banks and similar financial institutions in order to assess the entities' financial position, risk management, technology operations, and policies; and to determine the degree of compliance with the applicable prudential regulations. As far as the accounting and financial reporting matters are concerned, in cases where differences arise between the findings of a bank's statutory auditor and BOT's on-site supervision team, BOT officials further review the matters and discuss with the management and auditor for resolution. A bank's statutory auditor is required to report to BOT any violations of applicable standards, rules, regulations, and laws, in the course of monitoring compliance with prudential regulations.

**61. The Bank of Thailand has established co-operative arrangements with auditors.** In the first quarter of each year the BOT officials meet with BOT-approved auditors to discuss the changes in auditing policy and requirements and to exchange opinions on special issues concerning audit work of banks and financial institutions. During the on-site and off-site reviews of BOT licensees, the BOT will make inquiries of auditors and clarify issues raised in audit reports. If the BOT, the Securities and Exchange Commission, the Ministry of Commerce, or the Revenue Department find that an auditor has not complied with auditing standards, they will report those noncompliance issues to the FAP Ethics Committee. The BOT will consider revocation of the auditor's license to audit financial institutions and other actions.<sup>36</sup>

**62. Insurance supervision is undertaken by the Office of Insurance Commission (formerly the Department of Insurance).** The supervision process includes monthly off-site and on-site examinations. The focus of the review process is to check compliance with the prudential insurance regulations, in particular the appraisal of the values of invested assets, claims, underwriting expenses, commissions, and outstanding premiums, leading to the assessment of capital adequacy. The OIC staff also review the reports submitted by insurance companies with the object of checking their compliance with OIC rules, which focus on monitoring of risk of insurance companies. The OIC staff is not specifically required to review the application of accounting standards by insurance companies. The OIC relies on the auditor's report on the insurers' financial statements, the Securities and Exchange Commission's actions regarding financial reporting by the listed insurance companies, and the activities of the Department of Business Development regarding ensuring proper application of accounting standards. In undertaking its supervisory activities, the OIC has established a Memorandum of Understanding for sharing information with the Securities and Exchange Commission.

**63. The Federation of Accounting Professions Quality Screening Committee has performed quality review of audit work papers for auditors applying to be auditors of listed companies and the renewal of such auditors after 5-year period before getting consent of the SEC.** The Quality Screening Committee has a plan to review the audit work papers of auditors of listed companies, banks and other financial institutions when their specific licenses are due for renewal and as part of the SEC/BOT five-year license renewal processes. However, the FAP does not have in place a proactive program to monitor the quality of services offered by either accounting or auditing members and their adherence particularly to auditing standards and the Code of Ethics.

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<sup>36</sup> ROSC Diagnostic Template, BOT.

64. **The penalties provided for in the Accounting Professions Act do stipulate terms and fines for infringements of licensing and registration requirements for auditors and accountants, but information on penalties imposed is not widely available.** The stipulated penalties for accountants and auditors who fail to properly apply accounting and auditing standards and the Code of Ethics will be applied by the FAP Ethics Committee or the Oversight Committee on Accounting Professions.<sup>37</sup> Information regarding the practical disciplinary activities and penalties imposed by these two committees is not readily available. For example, the OIC has reported three auditors to the Federation of Accounting Professions. The investigation results are yet to be finalized.

65. **Regulators face the time/cost dilemma of prosecuting cases.** In many cases, transgressions of the law (civil and criminal) will be passed into the court system. The court system is traditionally slow in delivering timely and adequate sanctions for illegal behavior. Favorable results are not guaranteed. Past experiences show that the penalties imposed may not be effective deterrents of infractions – fines are sometimes deemed insufficient and may not be considered proportionate to the infractions. However, in more recent cases, penalties on auditors have indicated a stiffer approach by the courts. Two auditors have had substantial penalties imposed: a license suspension and a fine of 1 million THB<sup>38</sup>.

66. **In summary, existing monitoring and enforcement focuses on the licensing and discipline processes of the Federation of Accounting Professions and on the performances of auditors in their specific assignments for audit listed companies.** A proactive independent oversight system and periodic audit practice review by independent reviewers are lacking at the present time. Establishment of such a monitoring and enforcement mechanism would enhance public confidence in the work quality and ethics of the practicing accountants and auditors in the country.

### **III. Accounting Standards as Designed and Practiced**

67. **The Accounting Standard-Setting Committee has reviewed and revised several standards and plans to issue these as national standards, through the due process, thereby significantly reducing the gap between Thai Accounting Standards and IFRS.** The revised Thai Accounting Standards will apply to all companies, large and small.<sup>39</sup> IFRS were not designed to be applicable for small entities. A separate set of simplified accounting and reporting standards devised specifically for small and medium-sized entities (i.e. the entities that do not fall under the category of “public-interest” entities) is necessary. However, for public interest entities full IFRS should be adopted. The international trend is that many countries have moved to IFRS reporting or have

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<sup>37</sup> Accounting Professions Act, S. 49.

<sup>38</sup> As at 15 January 2008, US1.00 = 32.35 BHT. 1 million BHT = US\$30,911

<sup>39</sup> As mentioned earlier, eight Thai Accounting Standards are not applicable for non-public companies. These are: TAS 24: Segment Reporting, TAS 25: Cash Flow Statements, TAS 36: Impairment of Assets, TAS 44: Consolidated and Separate Financial Statements, TAS 45: Investments in Associates, TAS 46: Interests in Joint Ventures, TAS 47: Related Party Disclosures, TAS 48: Financial Instruments—Disclosure and Presentation. However, all other TAS are fully applicable in entities of all sizes (no simplification for SMEs).

decided to require the use of IFRS in the near future to enhance the comparability of financial statements, improve transparency and increase financial reporting quality. More than 100 countries have adopted IFRS including Singapore, Australia, New Zealand, South Africa, Hong Kong and the EU countries. In July 2007, India decided to fully converge with IFRS from April 1, 2011 for listed companies and public interest entities.

**68. For consistent application of Accounting Standards, there is a need for widely available explanatory guidance and training.** The judgments and estimates being made by preparers of financial statements in many cases lead to an inconsistency of accounting treatments among entities. To resolve this issue the Securities and Exchange Commission works closely with the Accounting Standards Board to issue accounting guidelines in order to improve consistency and comparability. However, if the IASB explanatory guidance was available in the Thai language, the interpretation inconsistencies might lessen. In this respect and in recognition of the regular changes made to Thai Accounting Standards and to IFRS, the preparers and auditors of financial statements need considerable and continuing education on application of the principles-based accounting standards.

**69. There are 29 Thai Accounting Standards in effect, which are comparable to the IAS/IFRS as existed up until 2003-2004.** By end of June 2007, the Accounting Standard-Setting Committee had translated all current IAS and IFRS (except IAS #1 and IAS #29). Some of these standards have already been issued, and others are under review by the FAP. The status of Thai Accounting Standard setting, with reference to IAS/IFRS, as at end-April 2008 is presented in Appendix-1. For those Thai Accounting Standards which are either local standards or US GAAP, will be superseded by the relevant IFRS-based standards once they are approved and published in the Royal Gazette. It is worth noting that the decision makers in Thailand have not yet reached agreement with regard to the applicability of all aspects of IAS 39 in Thailand.

**70. Some of the Thai Accounting Standards include elements of US GAAP.** Besides inclusion of the requirements of US GAAP in Thai Accounting Standards relating to financial instruments, the TAS 42, *Accounting for Investment Companies*, is based on the AICPA's *Audit and Accounting Guide: Audits of Investment Companies*. It is important for transparency and external investor understanding that where Thai Accounting Standards may diverge from IFRS requirements, the divergences be identified in the foreword to each standard as it is issued.

**71. As a part of the ROSC exercise, 40 sets of financial statements of companies listed in the Stock Exchange of Thailand (SET) were reviewed jointly by SEC and Bank staff with a view to understanding the degree of compliance with the applicable Thai Accounting Standards.** The financial statements of the most recent year available at the SEC were used for review purposes. The sample of company financial statements was established randomly in order to cover financial statements audited by the 26 audit firms in which all the 100 SEC-registered individual auditors belong. The companies reviewed belong to various sectors including banking, property & construction, manufacturing, mining, tourism and leisure, publishing, packaging, transportation, etc. The ROSC team undertook the review of financial statements in conjunction with the Securities and Exchange Commission of Thailand (SEC). The review focused on issues of presentation and disclosure.

72. **As part of the process of understanding actual financial reporting practices,** a questionnaire was developed and sent directly to the chief executive and chief financial officers of selected listed companies in order to find out their views on actual practices of accounting, auditing, and financial reporting in Thailand. In addition, in the course of interviews with a cross section of practicing auditors, corporate accountants, academics, and investment analysts, information was collected about examples of non-compliances with various accounting requirements. The review of financial statements and interviews with the relevant preparers, auditors and users of financial statements revealed that the general purpose financial statements are generally of a reasonable quality, but in many cases the wording of accounting policies and notes appears to be standard wording, possibly drawn from model financial statements made available by the audit firms. Many companies disclosed accounting policies for events and transactions which they did not have. The review of actual financial reporting practices indicates that there are rooms for improving disclosures by a number of companies in various areas including: accounting policies applied in the preparation of financial statements, regular tests of impairment for long-term assets, related party transactions, consolidation, and segment reporting.

73. **On the basis of the findings of annual reviews of financial statements, the SEC enforces restatement of company financial statements.** Following is a picture of the non-compliance issues detected by the Accounting Supervision Division of SEC, and restatement/correction of financial statements imposed by the SEC between the years 2005 and 2007.

Issues found	No. of cases
Doubtful accounts and bad debts	5
Revenue recognition	5
Scope limitation of auditing or reviewing by auditors	5
Consolidated financial statements and investments in subsidiaries	3
Revenue recognition for real estate business	2
Provisions, contingent liabilities and contingent assets	2
Impairment of assets	1
Disclosure of events after the balance sheet date	1
Definition of assets and liabilities according to accounting framework	1

74. **Banks and similar financial institutions under the supervision of the Bank of Thailand are required to prepare financial statements in compliance with the Accounting Act and Thai Accounting Standards.** However and because of the long lead time required to prepare for the application of some complex IFRS, in particular IAS 39, and for the application of Basel II principles, the Bank of Thailand has required the phased introduction of parts of IAS 39 in advance of the equivalent Thai Accounting

Standards. Such a requirement is over and above the current requirements of Thai Accounting Standards. A challenge is to strengthen the IFRS/TAS expertise within banks, within the Bank of Thailand itself and of accountants and auditors preparing and reviewing financial statements and new financial instruments and to do so within a short time frame. Also challenging in the banking sector, is the necessary investment in IT systems that will allow the tracking of pricing, valuation, capital allocation, etc that will enable correct application of accounting and prudential standards. This is particularly burdensome for smaller banks.

**75. Insurance companies are required to prepare financial statements in compliance with the Accounting Act.** There are specific differences between Thai accounting requirements pertaining to insurance companies and IFRS. These differences largely relate to two key standards: IFRS 4, *Insurance Contracts*, and IAS 39 *Financial Instruments, Recognition and Measurement*. Another particular difference between current Thai Accounting Standards and IFRS that is likely to have an impact on the insurance industry related the treatment of tsunami losses. TAS 39, *Accounting Policies, Changes in Accounting Estimates and Errors*, states conditions under which an item of income or expense may be treated as an ‘extraordinary’ item. A change in the TAS in accordance with the requirements of IFRS, may prove an issue for insurers in Thailand who have accounted for ‘losses from a tsunami’. Under IAS 1, entities are prohibited from classifying any item as extraordinary.

#### **IV. Auditing Standards as designed and practiced.**

**76. Thailand has made great effort to make Thai auditing standards comparable with International Standards on Auditing (ISA), but gaps exist.** Steps have been taken to produce a large number of ISA-equivalent Thai standards on auditing (TSA). There is a commitment to produce TSAs equivalent to all the currently applicable ISAs, and make them publicly available as quickly as possible. At present some gaps exist between the auditing requirements set by the currently applicable ISAs and TSAs. These gaps are mainly due to the difficulties of translation and drafting, and to the lack of adequate permanent resources to support the translation and drafting processes. Several ISAs-issued by the IAASB of IFAC have been in effect since 2004-5 but the Thai equivalents have yet to be revised and finalized. The ISQC 1 and other ISA amendments are not yet incorporated in the Thai auditing requirements.

**77. The statutory regulatory bodies rely heavily on the auditors for ensuring compliance with accounting standards.** However, it also noted that there is a high incidence of both qualified opinions together with an emphasis of matter; or of unqualified opinions, including an ‘emphasis of matter.’ To address this matter, the Federation of Accounting Professions, working with the Securities and Exchange Commission issued guidance in 2004 on how an emphasis of matter statement in the audit report should be utilized. It is worth noting that out of about 500 auditor’s reports filed with the Securities and Exchange Commission, 119 in 2006 and 92 in 2007 included emphasis of matter opinion.<sup>40</sup> The high frequency of emphasis of matter audit opinion may suggest that either:

- auditors are carrying out their duties most diligently; or

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<sup>40</sup> SEC Audit Report Summary.

- an emphasis of matter opinion is being overly used, perhaps to cover audit reports that in fact should be qualified.

78. **It appears that there exists a two-tier audit system in Thailand** – (a) audits of listed companies, largely undertaken by auditors from major audit firms (Big 4 and middle sized audit firms) and reviewed by the Securities and Exchange Commission and (b) other audits of reportedly variable and unknown quality. The major audit firms apply their own internationally developed and assessed audit methodologies developed in line with the requirements of ISA. The audit firms belonging to the big-4 international networks have extensive risk management practices in place and internal controls to manage those risks. The major audit firms tend to ‘top up’ the FAP/CPA education with additional training of their staff, particularly in audit.

79. **The quality of audit practice differs significantly among audit firms.** This is mainly due to inadequate quality control arrangements in small and medium sized audit firms. In order to have an understanding of the quality of actual auditing practices, the ROSC team interviewed senior practicing auditors and experienced corporate accountants. Also, discussions were held with representatives of regulatory bodies, investor community, and financial analysts. Most of these stakeholder-representatives were of the opinion that there is room for improving the quality assurance arrangements in audit practices; particularly in small and medium size audit practices.

80. **Disclosure is required by the company of the audit fee and non-audit services fees paid to the auditors.**<sup>41</sup> Although difficult to verify, low fees for auditing of small entities could imply lower levels of effort and inadequate quality of audit. Auditors of small entities tend to undertake between 200 and 250 audits per year. The Ministry of Commerce has attempted to protect audit quality by placing a limit of 300 audits per year undertaken by one auditor. Nevertheless, 300 audits is a large number of audits to perform and simultaneously maintain audit quality. Prior to the enactment of the Accountancy Professions Act 2004, in practice, anyone auditor who audited as many as 200 entities had the potential for being selected for quality review by the Ministry of Commerce.

81. **In general, individual auditors and small audit firms do not have access to the level of resources and methodologies as do the firms belonging to the large international networks.** Smaller companies have difficulty in understanding and applying the increasingly complex IFRS-based Thai Accounting Standards. The cost/benefit of such investment in accounting and financial reporting and auditing is not clear to them. Under the current requirement a very large number of entities need to have a statutory audit, and these audits fosters a perception of financial statement audits being bureaucratic obligations rather than a mechanism to ensure proper corporate governance of entities. Given that all audits should be carried out applying Thai Standards on Auditing, Thailand may consider that a viable alternative to maintain quality in audit is to reconsider the threshold of statutory audit requirement. Raising threshold may lead to smaller firms combining resources to become relatively larger size firms capable of handling larger audits.

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<sup>41</sup> SEC Notification KorJor. 16/2548.



## V. Perception of the Quality of Financial Reporting

82. **There is a general perception that financial reporting practices have improved significantly in recent times and a desire for further improvement.** However, there is also the expressed desire to make further improvement and that increased education, monitoring, and enforcement would assist such developments. In the course of discussions with the representatives of various stakeholder groups in Thailand, the ROSC team found an acceptance of the impact of global benchmarks. During the ROSC due diligence process, views expressed in interviews, forums, and meetings indicated support for full adoption and application of IFRS in public-interest entities. There is a general agreement among all the stakeholders that Thai standards of auditing should be equivalent to the ISAs. Representatives of listed companies indicate that it is relatively difficult to explain to analysts the differences between IFRS and Thai Accounting Standards, where such differences do occur. Lack of understanding of the financial statements can impact adversely on investment decisions.

83. **The views expressed by preparers and analysts on the quality of financial reporting in Thailand were rather mixed.** Overall financial reporting is considered fairly reliable, but some concerns were expressed about consistency of accounting policies and practices from one period to another, and comparability of financial information from one entity to another in a similar business or sector. Particular areas identified for attention were consolidated accounts, a better understanding of accounting for financial instruments; goodwill and impairment; related party transactions; accounting for pensions; and accounting valuations, judgments, and estimates.

84. **There are concerns about the quality of small enterprise audits.** Despite recent improvements in accounting auditing practices in Thailand, some stakeholders expressed concern that the public view of audit may be diminished because so many audits are required and that audits of smaller entities may not have similar quality and rigor as those audits undertaken in the cases of large entities. Some stakeholders recommended a review of the threshold for statutory audit of business enterprises.

85. **Stakeholders complemented efforts by the Federation of Accounting Professions,** particularly in the past three years with respect to the convergence to international standards program, but also recognized the resource constraints on its capacity to make further, timely and wide-reaching changes. Most stakeholders recognized the need to close the gap between Thai Accounting Standards and IFRS. Strong views were expressed by most of the stakeholders regarding the need for developing simplified financial reporting requirements for small and medium-sized enterprises.

86. **Most regulators, corporate accountants and analysts, and some professionals recognized the need to ensure a public oversight system of the audit profession,** comparable to international practices, and in particular, one that will monitor the integrity, objectivity, independence, and compliance by auditors. They also recognize the need for adequate funding to support an effective public oversight system.

## VI. Policy Recommendations

87. The broad policy recommendations made in this report emerge from the ROSC findings and from the valuable inputs received from the various stakeholders. These primarily principles-based recommendations take a holistic approach. These recommendations should be used as inputs for preparation of a comprehensive action plan aimed at further strengthening the institutional framework for accounting, auditing, and financial reporting. The policy recommendations are interrelated and mutually supportive and are designed to collectively improve the financial reporting environment in Thailand.

88. The guiding principles behind the recommendations are to build on the existing system of accounting and auditing infrastructure. The future developments should be done in a manner that does not jeopardize the achievements of the current framework and systems in place and that promote continual improvement and commitment of many stakeholders, specifically the leaders of the accountancy professions and the policy makers of regulatory bodies in the financial sector of Thailand.

89. **Further enhancements to the statutory framework are needed.** In this context, the authorities should consider creating a multi-disciplinary working group, including relevant public and private sector stakeholders, to review relevant provisions of the existing laws in order to update the statutory framework and in particular to address the following important issues which are aimed at further improving the quality of corporate financial reporting.

- **Audit practice review of quality assurance arrangements of audit firms:** Under the current legal requirements in Thailand, an individual auditor, not an audit firm, can be appointed to carry out auditing activities. From this perspective, the FAP, SEC, BOT or any other body in the country, focuses on the performance of individual auditors. Whenever there is a need to evaluate auditor's performance, an audit working paper review is conducted. In today's world, there is a general agreement that audit quality can not be assured by an individual auditor's performance. The quality assurance arrangements of the audit firm are very important. Under such circumstances, legally backed arrangements need to be put in place to facilitate the "practice review" of audit firms. This will require recognition of the audit firms in addition to individuals as auditors in relevant legislation.
- **Public-interest entities' full compliance with all IFRS.** A phased-in approach should be implemented so that full compliance with all IFRS starts with the top level publicly traded companies, and ultimately all the public-interest entities are brought under the purview of full IFRS requirements. In this regard, public interest entities should be clearly defined and the financial reporting, accounting, and auditing requirements of these entities should be clarified and distinguished from that required of small and medium-sized enterprises. It is recommended that in Thailand, public interest entities should include all listed entities, all banks, financial institutions and insurance companies, and other such entities as large

private companies and state banks that have a significant economic impact on Thailand's economy.<sup>42</sup>

**90. The need for an independent audit quality review arrangement for all practicing auditors.** Auditors have distinctive responsibilities toward the users of financial statements—including shareholders, regulators, and the public in general—in ensuring the relevance and reliability of the companies' financial statements. Failure to fulfill that responsibility can significantly weaken confidence in the corporate financial reports and discourage investment. In recent years, Thailand has had no active independent auditor oversight. Under the current arrangements, the activities relating to audit quality review and handling of complaints against auditors are led by the self-regulatory members' body Federation and Accounting Professions. Taking into account the recent international developments on regulating accountancy profession, it would be appropriate for the country authorities and stakeholders to support the establishment of an independent audit quality review arrangement. The establishment of an independent audit review arrangement should not forego the self-regulatory function of the Federation of Accounting Professions. The Federation of Accounting Professions should carry out IFAC-recommended disciplinary activities for ensuring that the professional accountants in the country comply with applicable accounting, auditing, and ethical requirements. In practice, the independent audit review arrangement would be expected to focus more on the audit quality of public-interest entities.

**91. In the short-term, put in place an arrangement for review of audit practice focusing on the auditors of listed companies in Thailand.** The purpose of this review is to ensure quality assurance in fact and appearance, and that the audit process has sufficient integrity to sustain public confidence in the audit of publicly traded companies. In this regard, SEC should work in partnership with the independent audit quality review arrangement recommended in paragraph 90. In the long term, audit practice review should be carried out under the independent audit quality review arrangement.

**92. Develop simplified financial reporting requirements for small and medium enterprises (SME).** It is commonly acknowledged that financial reporting requirements for small and medium enterprises should be commensurate with their smaller size, simpler transactions, and narrower range of stakeholders. From this perspective, arrangements should be made for development of a simplified set of accounting standards based on international good practices and more appropriate to small and medium enterprises in Thailand. In this regard, collaborative arrangements should be developed with the members of regional bodies of professional accountants. Efforts should be made to contribute to the development and dissemination of regional guidelines on simplified financial reporting requirements for SMEs. Consideration should be given to local/regional adaptation of the IASB's SME Accounting Standards.

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<sup>42</sup> Public interest entities are defined by the nature of their business, size, and number of employees; or by their corporate status by virtue of their range of stakeholders. Examples may include listed companies, banks and similar financial institutions, insurance companies, and large enterprises. To be considered a public interest entity, the large enterprises may be defined as individual enterprises and groups of enterprise that meet any two of the following three thresholds: (a) total number of employees exceeding [a number to be decided in consultation with the country stakeholders]; (b) total assets on the balance sheet exceeding [amount to be decided in consultation with stakeholders]; and (c) total revenue exceeding [amount to be decided in consultation with stakeholders].

93. **Revisit the thresholds for mandatory audit of all companies.** The cost/benefit and relevance of a full audit for all small and medium enterprises is often questionable. For relatively small enterprises below a determined threshold should not require a 'full audit' applying all the applicable auditing standards. There should be greater separation of tax reporting audits and financial statements audits

94. **The Federation of Accounting Professions should continue to pursue its efforts to implement international good practices in Thailand, and step up its program to fully comply with the IFAC Statements of Membership Obligations.** Increased emphasis in the future should be placed on education and continuing professional development of its members to ensure their competence in the services they offer and in meeting the challenges of continued changes in accounting and auditing standards and practices. Increased efforts need to be made for ensuring audit firms' compliance with the quality control standards and various quality assurance pronouncements issued by the IFAC. In particular, FAP should adopt and apply ISQC1. Moreover, arrangements should be put in place to ensure that the FAP Code of Ethics is updated as and when IFAC revises the Code of Ethics for Professional Accountants.

95. **Develop and implement a convergence strategy for accounting standard setting.** The FAP and its Accounting Standard-Setting Committee have demonstrated a determined path of converging Thai Accounting Standards with IASB-issued standards. Progress on convergence has been steady. However, it is not clear to what degree the convergence process has considered establishing broad convergence principles and an implementation strategy. In many countries when converging with IFRS, a strategy needs to be developed that includes initial consideration of, and in-principle decisions related to the following:

- Ensure institutional arrangements/frameworks and due processes are adequate, flexible, and credible for robust review, development, and public scrutiny of international standards.
- Clarify the role of the Accounting Standard-Setting Committee in the new environment of international standard-setting and convergence in Thailand, in particular by defining the scope of its role, especially in relation to issuing interpretations, guidance and the basis of conclusions.
- Ensure that the Accounting Standard-Setting Committee is adequately resourced for its role. Appoint permanent technical staff to support the expert volunteer input.
- Ensure that Thai Accounting Standards development is aligned as closely as possible with IASB work plans and that the IASB activities are monitored and tentative IASB decisions examined so that Thai standards are issued more closely to the time that the IASB issues its standards.
- Establish the basis on which accounting standards from other jurisdictions may be applied by preparers, where there may be no IFRS/TAS equivalent.
- Recognize that IFRS when converged into TAS are principles-based and will require preparers to apply judgments when using the standards. The Accounting Standard-Setting Committee should clarify the degree to which interpretations may be issued in Thailand and the criteria on which these may be developed and issued.
- Increase efforts to translate accounting standards into the Thai language starting the drafting process when exposure drafts are issued by the IASB.
- Translate IFRS and associated materials according to the IASB translation processes (SIC, IFRIC, IASB Guidance, and IASB Basis of Conclusions).
- Translate and apply IFRS, making only minimal amendments to the original IFRS.

- Make arrangements for prompt issuance of local equivalents of all IFRS interpretations (IFRIC and SIC), and changes.

In developing accounting standards, Thailand should play an active role in the IASBs process of financial reporting standards and related interpretations.

**96. Issue practical application guidance on accounting and auditing standards.**

The FAP should issue implementation guidance on the applicable accounting and auditing standards illustrating local cases. In this regard, the accounting and auditing standards committees should constantly consult with the relevant experts of International Financial Reporting Interpretations Committee (IFRIC) of IASB, and the IAASB of IFAC. The FAP should ensure all interpretations and other guidance will be promptly available to its members.

**97. Strengthen monitoring, investigation, and disciplinary processes at the FAP.**

The FAP should proactively monitor the adherence of its members to professional, ethical, accounting, and auditing standards. To support such adherence the FAP should strengthen its monitoring, investigation, and disciplinary processes. It would be desirable for the FAP to publish a description of the scope, design and procedures for its quality assurance programs for auditors and adopt the practice of making public an annual report summarizing the results of their quality assurance reviews.

**98. Improve audit quality, by developing and disseminating practical guidance on the implementation of auditing standards.**

A small proportion of audit firms use internationally comparable audit practice manuals. In the absence of proper guidance, auditors generally find it difficult to apply internationally recognized audit methodologies in the local business environment. In order to assist the practicing auditors in complying with the applicable auditing standards and the most current international good practices on professional ethics, it is necessary to prepare guidance and practice manuals based on Thai cases, and make these materials easily available to the students, trainee auditors, and practicing auditors throughout the country.

**99. Enhance monitoring and enforcement mechanisms for ensuring high quality financial reporting by all the public interest entities.**

For financial reporting, accounting, and auditing requirements to be effective, regulatory bodies with sufficient capacity, authority, and independence need to be established to review financial reporting and auditing practices for all public interest entities. In this regard, steps may be taken to strengthen capacity and redefine the scope of work of the Department of Business Development of the Ministry of Commerce.

**100. Remove impediments for legal resolution of audit and accounting cases.**

A review should be undertaken of the legal and procedural impediments for Court /legal resolution of audit and accounting cases. To the extent possible such impediments should be removed.

**101. Strengthen arrangements for practical training of the prospective auditors.**

The FAP should screen audit firms before allowing them to accept any audit trainees. In order to qualify as an authorized audit training provider, an audit firm should prove that it complies with all the requirements of IFAC's International Standard on Quality Control (ISQC). Also, the training provider should have sufficient capacity to enable the trainee-auditors to gain exposure to the practical aspects of all the applicable standards and

codes. The FAP should maintain a list of authorized audit training providers, and update the list on the basis of period assessment and make it publicly available.

## Appendix 1

### Thai Accounting Standards and relevant International Financial Reporting Standards (as of end-April, 2008)

IFRS/IAS No.	TAS No.	TITLE	Status
	Framework	Framework for the Preparation and Presentation of Financial Statement	
IFRS 1	N/A	First-time Adoption of International Financial Reporting Standards (effective 2004)	
IFRS 2	TFRS 2	Share-based Payment (effective 2005)	Under Consideration of Oversight Board
IFRS 3	TFRS 3 (43)	Business Combinations (effective 2004)	Effective
IFRS 4	TFRS 4	Insurance Contracts (effective 2005)	Under Consideration of Oversight Board
IFRS 5	TFRS 5	Non-current Assets Held for Sale and Discontinued Operations (effective 2005)	Under Consideration of Oversight Board
IFRS 6	TFRS 6	Exploration for and Evaluation of Mineral Assets (effective 2006)	Under Consideration of Oversight Board
IFRS 7	TFRS 7	Financial Instruments: Disclosures (effective 2007)	Under Consideration of Oversight Board
IAS 1	TAS 1 (35)	Presentation of Financial Statements (effective 2005)	Effective
IAS 2	TAS 2 (31)	Inventories (effective 2005)	Effective
IAS 3			
IAS 4			
IAS 5			
IAS 6			
IAS 7	TAS 7 (25)	Cash Flow Statements (effective 1994)	Effective
IAS 8	TAS 8 (39)	Accounting Policies, Changes in Accounting Estimates and Errors (effective 2005)	Effective
IAS 9			
IAS 10	TAS 10 (52)	Events After the Balance Sheet Date (effective 2005)	Effective
IAS 11	TAS 11 (49)	Construction Contracts (effective 1995)	Effective
IAS 12	TAS 12 (56)	Income Taxes (effective 2001)	Under Consideration of Oversight Board
IAS 13			
IAS 14	TAS 14 (50)	Segment Reporting (effective 1998)	Under Consideration of Oversight Board
IAS 15			
IAS 16	TAS 16 (32)	Property, Plant and Equipment (effective 2005)	Under Consideration of Oversight Board
IAS 17	TAS 17 (29)	Leases (effective 2005)	Effective
IAS 18	TAS 18 (37)	Revenue (effective 1995)	Under Consideration of Oversight Board

IAS 19	TAS 19 (xx)	Employee Benefits (effective 2002)	Under Consideration of Oversight Board
IAS 20	TAS 20 (55)	Accounting for Government Grants and Disclosure of Government Assistance (effective 1984)	Under Consideration of Oversight Board
IAS 21	TAS 21 (30)	The Effects of Changes in Foreign Exchange Rates (effective 2005)	Under Consideration of Oversight Board
IAS 22			
IAS 23	TAS 23 (33)	Borrowing Costs (effective 1995)	Effective
IAS 24	TAS 24 (47)	Related Party Disclosures (effective 2005)	Under Consideration of Oversight Board
IAS 25			
IAS 26	TAS 26 (xx)	Accounting and Reporting by Retirement Benefit Plans (effective 1998)	Under Consideration of Oversight Board
IAS 27	TAS 27 (44)	Consolidated and Separate Financial Statements (effective 2005)	Effective
IAS 28	TAS 28 (45)	Investments in Associates (effective 2005)	Effective
IAS 29	N/A	Financial Reporting in Hyperinflationary Economies (effective 1990)	
IAS 30	TAS 30 (27)	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	Effective
IAS 31	TAS 31 (46)	Interests in Joint Ventures (effective 2005)	Effective
IAS 32	TAS 32 (48)	Financial Instruments: Disclosure and Presentation (effective 2005)	Under Consideration of Oversight Board
IAS 33	TAS 33 (38)	Earnings per Share (effective 2005)	Under Consideration of Oversight Board
IAS 34	TAS 34 (41)	Interim Financial Reporting (effective 1999)	Effective
IAS 35			
IAS 36	TAS 36 (36)	Impairment of Assets (effective 2004)	Under Consideration of Oversight Board
IAS 37	TAS37 (53)	Provisions, Contingent Liabilities and Contingent Assets (effective 1999)	Effective
IAS 38	TAS 38 (51)	Intangible Assets (effective 2004)	Effective
IAS 39	TAS 39 (xx)	Financial Instruments: Recognition and Measurement (effective 2005)	Under Consideration of Oversight Board
IAS 40	TAS 40 (xx)	Investment Property (effective 2005)	Under Consideration of Oversight Board
IAS 41	TAS 41 (57)	Agriculture (effective 2003)	Under Consideration of Oversight Board

Note: In the third column, “effective” means the version of IAS/IFRS which was effective in that particular year.