STATE OF IFRS IN NAMIBIA

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ABBREVIATIONS

- **GAAP** – generally accepted accounting practices
- **IAS** – international accounting standards
- **IFRS** – international financial reporting standards
- **ICAN** – Institute of Chartered Accountants - Namibia
- **PON** – Polytechnic of Namibia
RESEARCH PROBLEMS

- IFRS not appropriate for:
  - Small national economies
  - Small entities

- IFRS expensive venture especially for:
  - Small entities
  - Local entities

- IFRS no value addition
  - Only for general-purpose financial statements
OBJECTIVES

To establish:

- Reasons for non-adoption / compliance
- Technical problems with IFRS adoption / compliance
- Benefits, if any
GAAP

- What is GAAP?
- Mandatory sources:
  - National laws
    - Companies Act, Close Corporation Act, Credit Agreements Act
  - National accounting standards
    - ICAN
  - Local stock exchange requirements
    - Namibia Stock Exchange
GAAP

Non-mandatory sources:

• International accounting standards
• Foreign statutory requirements
  □ Subsidiaries of multi-national corporations
ACCOUNTING FRAMEWORK

- **Measurement**
  - Choice of accounting methods, e.g.
    - Depreciation
    - Inventory valuation

- **Recognition**
  - Journals (daybooks)
  - Ledgers

- **Disclosure**
  - Financial statements
  - Other financial reports
FAITHFUL REPRESENTATION

True and fair view

- Underlying assumptions
  - Going concern
  - Accruals
  - Prudence
  - Consistency

- Qualitative characteristics
  - Understandability
  - Relevance
  - Materiality
  - Reliability
  - Accuracy
  - Neutrality
  - Timeliness
PURPOSE OF FRAMEWORK

- Development of future IFRS
- Harmonisation
- National standard setting
- Assist accountants & auditors
- Assist users of financial statements
GENERAL-PURPOSE FINANCIAL STATEMENTS

- Financial position statement
- Performance statement
- Statement of changes in financial position
- Statement of changes in equity
- Disclosure of accounting policies
COMPLIANCE WITH IFRS

Ensures fair presentation:

- Disclosure of compliance with IFRS
- Compliance relates to all IFRS
- Disclosure is no rectification for inappropriate accounting policies
DEPARTURE FROM IFRS

- Requires justification by management
- Departure necessary for fair presentation
- Details of such departure
- Financial effect of such departure
STUDENT RESEARCH

- An investigation on financial reporting & adoption of IFRS in Namibia
- The application of IAS/IFRS by private companies in Namibia
- An investigation into the adoption of IAS by commercial banks in Namibia
- Investigative study on the degree to which FNB applies IAS/IFRS with regard to group financial statements
RESEARCH FINDINGS

- Namibian financial statements compliant with IAS/IFRS
- IAS/IFRS adds value
- Audit opinion confirming compliance with IAS/IFRS
- Qualified opinion for departure or non-compliance
- IAS/IFRS facilitates understabilité & comparison
- All IAS/IFRS adopted except non-relevant standards
RESEARCH FINDINGS

Problems:

- Lack of qualified accountants – very expensive
- Unfair presentation if IAS/IFRS not complied with
- Need for separate IAS/IFRS for small companies
- Fair valuation of assets and liabilities:
  - Measurement
  - Recognition
CONCLUSION

- Namibia alive to IAS/IFRS
- IAS/IFRS adds value (usefulness)
- Users of financial statements appreciate IAS/IFRS
- IAS/IFRS should apply to all companies
- Cost inevitable & justifiable
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  - Audit firms
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