CHAPTER 2

THE CHANGES IN THAI ACCOUNTING STANDARDS

2.1 Reasons for Changes in Thai Accounting Standards (TAS)

The Institute of Certified Accountants and Auditors of Thailand (ICAAT) has initiated in setting the accounting standard development plan since June 1997. This plan includes the development of new accounting standards for changes in business in the globalization world and for an increase in the complex financial instruments both in equity market and money market. Later, the problems of Thai economic crisis have been growing. Thai government announced the floating in value of Thai Baht in July 1997. The business sectors collapse. The foreign investors do not have the confidence of Thai economic stability and take the fund outflow from Thailand. The systems of financial institution also collapse the same as non-financial sectors because non-performing loans increase dramatically. The assets values impair. Many debtors and creditors are in debt restructuring. Therefore, the ICAAT urgently develops the new accounting standards that can be applied for new accounting transactions. The main objective of the developments is that accounting standards should be international acceptance, which can generate the confidence to both foreign and local investors (ICAAT, 1999).

2.2 Lists of New Accounting Standards and Accounting Standard Interpretations

In 1999, The Institute of Certified Accountants and Auditors of Thailand (ICAAT) has issued the new accounting conceptual framework and many new accounting standards. Some accounting standards supercede the old ones, while some of them are on new accounting issues. The new accounting standards that become operative for financial statements covering periods beginning on or after 1 January 1999 are summarized in TABLE 2.1.

TABLE 2.1 Lists of New Accounting Standards in Year 1999

TAS No.	Title	Superceded Title	Operative Date
	Framework of the Preparation and Presentation of Financial Statements	TAS No. 1 Basic Accounting Assumption	25-Feb-99
32	Property, Plant and Equipment	TAS No. 9 Accounting for Property, Plant, and Equipment TAS No. 10 Accounting for Depreciation	1-Jan-99
33	Borrowing Costs	TAS No. 15 Capitalized the Borrowing Costs	1-Jan-99
34	Accounting for Troubled Debt Restructurings	------------	1-Jan-99
35	Presentation of Financial Statements	TAS No. 2 Accounting Policy TAS No. 16 Current Assets and Current Liabilities TAS No. 23 Presentation of Data Disclosed in Financial Statements	1-Jan-99
36	Impairment of Assets	-----------	1-Jan-99
37	Revenue Recognition	TAS No. 6 Revenue Recognition	1-Jan-99
38	Earnings Per Share	TAS No. 5 Earnings Per Share	1-Jan-99
39	Net Profit or Loss for the Period, Fundamental Errors and Accounting Changes	TAS No. 3 Extraordinary Items TAS No. 4 Changes in Accounting Policies	1-Jan-99
40	Accounting for Investments in Debt and Equity Securities	TAS No. 12 Accounting for Marketable Securities TAS No. 17 Accounting for Investments	1-Jan-99

There are also many new accounting standards that become operative for financial statements covering periods beginning on or after 1 January 2000, which can be listed as in TABLE 2.2

TABLE 2.2 Lists of New Accounting Standards in Year 2000

TAS No.	Title	Superceded Title	Operative Date
41	Interim Financial Statements	----------	1-Jan-00
42	Accounting for Investment Companies	----------	1-Jan-00
43	Business Combinations	TAS No. 20 Accounting for Business Combinations	1-Jan-00
44	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	TAS No. 19 Consolidated Financial Statements	1-Jan-00
45	Accounting for Investments in Associates	TAS No. 18 Accounting for Investments in Subsidiaries and Associates	1-Jan-00
46	Financial Reporting of Interests in Joint Ventures	----------	1-Jan-00
47	Related Party Disclosures	TAS No. 13 Related Party Disclosures	1-Jan-00
48	Financial Instruments: Disclosure and Presentation	TAS No. 28 Accounting for Convertible Debts and Debts with Warrants	1-Jan-00

In addition, there is one accounting standard, which becomes operatives for financial statements covering and beginning on or after 1 January 2001: TAS No. 49 *Construction Contracts*. TAS No. 49 supercedes TAS No. 8 *Accounting for Construction Contracts*.

To date ICAAT has issued the new accounting standards from TAS No. 50 to TAS No. 56. TAS No. 50 *Segment Reporting* supercedes TAS No. 14, which becomes operative for financial statements covering period beginning on or after 1 January 2002.

TAS No. 51 *Intangible Assets*, TAS No. 52 *Events after the Balance Sheet Date*, TAS No. 53 *Provisions, Contingent Liabilities and Contingent Assets*, and TAS No. 55 *Accounting for Government Grants and Disclosure of Government Assistant* become operative for financial statements covering periods on or after 1 January 2004. TAS No. 54 *Discontinuing Operations* and TAS No. 56 *Accounting for Income Taxes* become operative for financial statements covering periods beginning on or after 1 January 2006 and 2007, respectively.

However, TAS No. 51-56 are not authorized by the Thai Accounting Standard Board. They are in process of the development of accounting standards. The data are used in the analyses ended for the second quarter in year 2001, TAS No. 50-56 are not included in this study.

From TAS No. 35 paragraph 11, financial statements should be described as complying with generally accepted accounting principle whenever they comply with all the requirements of each applicable Standard and each applicable Interpretation of Accounting Standard Board. The Accounting Standard Board has issued the Thai Accounting Standard Interpretations listed as follows.

TABLE 2.3 Lists of Thai Accounting Standard Interpretations (TASI)

TAS Interpretation No.	Title	Operative Date
1	Assets Received in Satisfaction of a Receivable	25-Mar-99
2	Consolidation-Special Purposed Entities	1-Jan-00
3	Compound Financial Instruments issued by Financial Institutions	17-Jun-99
4	Expenditures Capitalized by Developing Stage Enterprises and Developed Enterprises	31-Dec-99

Now ICAAT issues the TAS Interpretations (TASI) from No.5 to No.8. They become operative for financial statements covering period beginning on or after 1 January 2004, which are

TASI No. 5 Classification of Financial Instruments: Contingent Settlement Provisions,

TASI No. 6 Jointly Controlled Entities Non-Monetary Contributions by Ventures,

TASI No. 7 Property, Plant and Equipment: Compensation for Impairment or Loss of Items, and

TASI No. 8 Operating Leases-Incentives.

However, these TAS interpretations (TASI No.5 - TASI No.8) are not authorized by Thai Accounting Standard Board. The data are used in the analyses ended for the second quarter in year 2001, so these interpretations are not included in this study.

2.3 Summary of New Accounting Standards in 1999

This study focuses on new accounting standards and accounting standard interpretations that become operative beginning on or after 1 January 1999 (TAS No. 32-40 and TAS interpretation No. 1-4). The summary of new accounting standards and the comparison between the new accounting standards and the old ones (if any) can be summarized according to the title number of each accounting standard.

2.3.1 ***Framework of the Preparation and Presentation of Financial Statements*** supercedes TAS No. 1 Basic Accounting Assumption. The comparative points are as follows.

The accounting framework describes four qualitative characteristics that determine the usefulness of information in financial statements: understandability, relevance, reliability, and comparability. TAS No. 1 does not identify the specific or clear qualitative characteristics of accounting information.

Under new accounting framework, a number of different measurement bases are employed to different degrees and in varying combinations in financial statements. They include historical costs, current cost, realizable value, and the present value of future net cash flows.

New accounting framework identifies the concept of capital and capital maintenance. Concept of capital is divided into financial concept and physical concept. Under a financial concept, such as invested money or invested purchasing power, capital is synonymous with the net assets or equity of enterprise. Under physical concept of capital, such as operating capability, capital is regarded as the productive capacity. Concept of capital maintenance is also divided into financial capital maintenance and physical capital maintenance. Under financial capital maintenance, a profit is earned only if financial (or money) amount of the net assets at the end of periods exceeds the financial (or money) amount of the net assets at the beginning period, after excluding any distribution to, and contributions from, owners during the periods. Under the physical capital maintenance, a profit is earned only if physical productive capacity (or operating capacity) of the enterprise at the end of period exceeds the physical productive capacity at beginning period, after excluding any distribution to, and contributions from, owners during the periods.

2.3.2 TAS No. 32 ***Property, Plant and Equipment*** supercedes TAS No. 9 Accounting for Property, Plant and Equipment (PPE) and TAS No. 10 Accounting for Depreciation. The comparative points can be summarized as follows.

TAS No. 32 identifies the recognition criteria of PPE that slightly differ from TAS No. 9. An item of property, plant, and equipment should be recognized as an asset when:

(a) it is probable that future economic benefits associated with the asset will flow to enterprise; and

(b) the cost of the asset to the enterprise can be measured reliably.

In determining whether an item satisfies the first criteria for recognition, an enterprise needs to assess the degree of certainty attaching to the flow of future economic benefits on the basis of the available evidence at the time of initial recognition. The second criterion of recognition is usually readily satisfied because the exchange transaction evidencing the purchase of asset identifies its costs.

Under TAS No. 9, an item should be recognized as PPE if it meets the definition specified in the standard. That is, PPE is available for use in the production, selling the merchandise, rendering the services, acquired or build by the intention to use an asset.

TAS No. 32 allows the alternative treatment of measurement subsequent to initial recognition. PPE is allowed to carry at revalued amount that is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. TAS No. 9 also allows PPE to carry at revalued amount. But TAS No. 32 requires that when an item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued.

TAS No. 32 requires that the enterprise should apply TAS No. 36 *Impairment of Assets* to determine whether an item of PPE is impaired. TAS No. 9 does not mention the impairment of assets.

For the accounting of depreciation, the requirements on the systematic basis allocated amount of PPE for depreciation, the consistency of methods of depreciation, review of useful life does not differ from TAS No. 10.

2.3.4 TAS No. 33 *Borrowing Costs* supercedes TAS No. 15 Capitalized the Borrowing Costs.

TAS No. 33 requires the recognition of borrowing costs into:

Under the benchmark treatment, borrowing costs are recognized as an expense in the period in which they are incurred regardless of how borrowing costs are applied.

Under the allowed alternative treatment, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part as the cost of that assets.

TAS No. 15 does not identify the benchmark treatment of the recognition of borrowing costs as expense.

The accounting practices of the two accounting standards about the capitalization of borrowing costs such as the recognition, commencement, suspension, and concession are the same. TAS No. 33 requires additional requirement about the write-offs the carrying amounts of qualifying asset. That is, when the carrying amount or the expected ultimate cost of qualifying asset exceeds its recoverable amount or net realizable value, the carrying amount should be written-down.

2.3.5 TAS No. 34 *Accounting for Troubled Debt Restructurings* (New issue)

The types of accounting practices for troubled debt restructurings can be divided into transfer assets in full settlement, grant of equity interest in full settlement, modification of term, and combination types.

Accounting by Debtors

Transfer Assets in Full Settlement

A debtor that transfers real estate, other assets, or its receivable from third parties to a creditor to settle fully a payable should recognize a gain on restructuring of payables. The gain is measured by the excess of the carrying amount of the payable settled over fair value of assets transferred to the creditors. The carrying amount of the payable settled should include accrued interest, unamortized premium or discount, finance charges and issue costs. Moreover, there is a gain/loss from adjusting the carrying amount of assets transferred into fair values of assets. The difference between fair value and carrying amounts of assets transferred to a creditor to settle a payable is a gain or loss on transferred of assets. The debtors should include that gain or loss in measuring net income in the period of the transfer.

Grant of Equity Interest in Full Settlement

A debtor that issues or otherwise grants an equity interest to a creditor to settle fully a payable should account the equity interest at it fair value. The difference between fair values of equity interest granted below the carrying amount of the payable settled should be recognized as a gain on restructuring payables.

Modification of Terms

For the modification of terms of payables (not involving a transfer of assets or grant in equity interest), a debtor should account for the effects of restructuring prospectively from the time of restructuring until the due date specified by the new terms. If the carrying amount of the payable settled is higher than the amount payable under the new terms, a debtor should adjust the carrying amount of the payable settled to equal the future amount payable and recognized the reduced amount payable as the gain on debt restructuring. If the carrying amount of payable settled is lower than the amount payable under the new terms, the accounting treatment is not under TAS No. 34.

Troubled Debt Restructurings in Combination Types

A troubled debt restructuring may involve partial settlement of a payable by the debtors' transferred of assets or granting an equity interest to creditor and the modification of terms of remaining payable. In such case, the debtor should measure the asset transferred or equity interest granted with fair value stated above. The carrying amount of payable should be reduced by the total fair value of those assets or equity interest. A difference between fair value and the carrying amount of asset transferred to a creditor should be recognized as gain or loss on transfer of assets. The remaining payable should be conducted as stated in the modification of terms.

Accounting by Creditors

Receipt of Asset or Equity of Interest in Full Satisfaction

A creditor that receive from a debtor in full satisfaction of a receivable in term of real estate, other assets, receivable from third parties, or shares of stocks/other evidence of an equity interest should account for that assets at fair value at the time of restructuring. However, if a creditor receives the asset only for settled in troubled debt and intends for selling the asset, a creditor should recognize those assets as net fair value reduced by the estimated selling costs.

A difference between investment in account receivable and fair value of asset received (reduced by the estimated selling costs) should be recognized in income statement for the period. A creditor should consider the allowance of doubtful account in recording that item as loss on debt restructuring.

Modification of Terms

For the modification of terms of a receivable at the time of the restructuring, a creditor should recognize the difference between the recorded investment in the receivable and fair value of debt under the new terms in income statement for period. A creditor should consider the allowance for doubtful account in recording the difference as loss on debt restructuring.

Combination of Types

A troubled debt restructuring may involve receipt of assets or equity interest in partial satisfaction of a receivable and a modification of terms of remaining receivables. In such case, the creditor should account for the assets received or equity interest in debtors as fair value as stated above. The remaining receivables should be conducted as the modifications of terms.

2.3.6 TAS No. 35 *Presentation of Financial Statements* supercedes TAS No. 2 Accounting Policy, TAS No. 16 Current Assets and Current Liabilities, and TAS No. 23 Presentation of Data Disclosed in Financial Statements.

TAS No. 35 focuses on accounting policy in the following point:

Management should select and apply an enterprise's accounting policies so that the financial statements comply with all the requirements of each applicable accounting standard and accounting standard interpretation. Where there is no specific requirement in accounting standard, management should develop policies that financial statements provide information that are:

(a) relevant to the decision-making needs of users; and

(b) reliable in that they:

(i) represent faithfully the results and financial position of enterprise;

(ii) reflect the economic substance of events and transactions and not merely the legal form;

(iii) are neutral, that is free from bias;

(iv) are prudent; and

(v) are complete in all material respects.

TAS No. 2 does not state the quality characteristics of accounting policy.

TAS No. 35 requires the current and non-current distinction. Each enterprise should determine, based on the nature of its operations, whether or not to present current and non-current assets and current and non-current liabilities as separate classifications on the face of the balance sheet. When an enterprise chooses not to make this classification, assets and liabilities should be presented broadly in order of their liquidity.

The enterprise should disclose for each asset liability item that combines amounts expected to recovered or settled both before and after twelve months from the balance sheet date, the amounts expected to be recovered or settled after more than twelve months.

TAS No. 35 identifies a complete set of financial statements to include the following components:

(a) balance sheet;

(b) income statement;

(c) a statement showing either:

(i) all changes in equity; or

(ii) comprehensive income statement

(d) cash flow statement; and

(e) accounting policies and explanatory notes.

TAS No. 23 does not identify the components of complete financial statements. It only specifies items that should disclose in the balance sheet and income statement. It does not require all changes in equity or comprehensive income to be presented as a statement.

2.3.7 TAS No. 36 *Impairment of Assets* (New Issue) The objective of this standard is to prescribe the procedures that an enterprise applies to ensure that its assets are stated at no more than the recoverable amount. If the asset's carrying amount exceeds the amount to be recovered through use or sale of asset, the asset is described as impaired. Thus, the enterprise should recognize an impairment loss.

An enterprise should assess at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the asset (which is a higher of an asset's net selling price and value in use).

Whenever the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss should be recognized as an expense in the income statement immediately, unless the asset is carried at revalued amount under another accounting standard (for example, under the allowed alternative treatment in the accounting standard *Property, Plant, and Equipment*). Any impairment loss of a revalued asset should be treated as a revaluation decrease under that other accounting standard.

After the recognition of impairment loss, the enterprise should calculate the depreciation charge of the asset using the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

2.3.8 TAS No. 37 *Revenue Recognition* supercedes TAS No.6.

The definition of revenue under TAS No. 37 slightly differs from TAS No.6.

According to TAS No.37, revenue is the gross inflow of economic benefits (before expense) during the period arising in the course of ordinary activities of an enterprise when those inflows result in increases in equity, other than increases relating the contributions of equity participants.

According to TAS No.6, revenue is the gross inflow of cash receivables, or other consideration arising in the course of ordinary activities of an enterprise from the sales of goods, from rendering of services, and use by others of enterprise resources yielding the interest, royalties, and dividends.

The recognition of revenue is classified into three types: sales of goods, rendering of services, and interest, royalties and dividends.

Sales of Goods

TAS No.37 sets the condition of recognition of revenue from the sales of goods as follows.

(a) the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b)the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the enterprise; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The condition (a) and (d) are also specified in the recognition of revenue from the sales of goods in TAS No. 6. However, the condition (b), (c), and (e) are not specified in TAS No. 6.

Rendering of Services

TAS No. 37 specifies the recognition condition for the revenues from the rendering of services as follows.

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to the enterprise;

(c) the stage of completion of the transaction at the balance sheet date can be measured reliably; and

(d) the cost incurred for the transaction and the costs to complete the transaction can be measured reliably.

TAS No. 6 specifies that the revenue is recognized whenever the enterprise has rendered the services.

Interest, Royalties and Dividends

For the criterion of recognition the revenue from interest, royalties, and dividend, TAS No. 37 is the same as TAS No. 6.

The revenue from interest, royalties, and dividends should be recognized (for both TAS No.6 and TAS No. 37) on the following bases:

(a) interest should be recognized on a time proportion basis that takes into account the effective yield on the asset;

(b) royalties should be recognized on an accrual basis in accordance with the substance of the relevant agreement; and

(c) dividends from investments not accounted for under the equity method of accounting should be recognized when the shareholder's rights to receive payment are established.

2.3.9 TAS No. 38 ***Earnings Per Share*** supercedes TAS No. 5. The comparative points are as follows.

Under TAS No. 38, the number of shares used to calculate basic earnings per share is the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and for all periods presented should be adjusted for events, other than the conversion of potential ordinary shares that have changed the number of ordinary shares outstanding without corresponding changes in resources. Examples of the changes in ordinary shares, without corresponding changes in resources are a stock dividend, a bonus element in a rights issue to existing shareholders, a share split, and consolidation of shares.

For the stock dividend or share split, ordinary shares are issued to existing shareholders for no additional consideration; therefore, the number of ordinary shares outstanding is increased without an increase in resources. The number of ordinary shares outstanding before the event is adjusted for the proportionate change in number of ordinary shares outstanding as if the event had occurred at the beginning of the earlier period reported. For example, on a two-for-one stock dividend issue, the number of shares outstanding prior to the issue is multiplied by a factor of three to obtain the new total number of shares, or by a factor of two to obtain the number of additional shares.

TAS No. 5 also requires using the weighted average number of ordinary shares outstanding during the period in the calculation of basic earnings per share. But it does not specify a bonus element in a rights issue to existing shareholders.

Under TAS No. 38, the enterprise should present the basic earnings per share and diluted earnings per share on the face of income statement for each class of ordinary shares. An enterprise should present the basic and diluted earnings per share even if the amounts disclosed are negative (a loss per share).

Under TAS No. 5, if the fully diluted EPS is more than basic EPS, there is no need to report fully diluted EPS.

2.3.10 TAS No. 39 ***Net Profit or Loss for the Period, Fundamental Errors and Accounting Changes*** supercedes two standards: TAS No. 3 Extraordinary items and TAS No. 4 Changes in Accounting Policies.

TAS No. 39 defines "extraordinary items" as income and expense that arise from events or transaction that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly. This definition is the same as TAS No.3. In addition, TAS No. 39 determines that the net profit or loss for the period comprises the following components, each of which should be disclosed on the face of income statement:

(a) profit or loss from ordinary activities; and

(b) extraordinary items.

The comparison between TAS No. 39 and TAS No. 4 can be summarized according to the types of accounting changes as follows.

1. Changes in Accounting Estimate

Accounting practices for changes in accounting estimates of TAS No. 39 and No. 4 are the same. TAS No. 39 and TAS No. 4 requires that the effect of a change in accounting estimate should be included in the determination of net profit or loss in:

(a) the period of the change, if the change affects the period only; or

(b) the period of the change and future periods, if the change affects both.

The effect of a change in an accounting estimate should be included in the same income statement classification as be used previously for the estimate.

2. Fundamental Errors

The accounting practices of TAS No. 39 and TAS No.4 are the same. Two accounting standards require that the enterprise should apply the retrospective method in correcting the amount of fundamental error that relates to prior periods if that error affects significantly to prior financial statement.

3. Changes in Accounting Policies

Under TAS No. 39, a change in accounting policy should be made only if it is required by accounting standards, or a change will result in a more appropriate presentation of events or transactions in the financial statements of the enterprise.

A change in accounting policy that is made on the adoption of new accounting standard should be accounted for in accordance with the specific transitional provisions, if any, in that Thai Accounting Standard. In the absence of any transitional provisions, the change in accounting policy should be applied retrospectively.

A change in accounting policy result in a more appropriate presentation should be applied retrospectively. If the enterprise cannot reasonably determine amount of any resulting adjustment that relates to prior periods, they should be applied prospectively (the immediate changes.

For the adoption of the retrospective adjustment, the enterprise should restate the comparative financial statements for every period presented and recognized the cumulative effect of change in accounting policy by adjusting it with the opening balance of retained earnings.

TAS No. 4 requires using the prospective method (immediate changes) for all types of changes in accounting policy (except the special change). The enterprise should not adjust the prior financial statements and should present the cumulative effect of change in accounting policy between the extraordinary item and net income. The special changes in accounting policies are the changes inventory valuation from LIFO to other methods, the construction costs, and other changes for being suitable to other accounting standards. For the special changes, the enterprise should apply the retrospective adjustment.

2.3.11 TAS No. 40 ***Accounting for Investments in Debt and Equity Securities*** supercedes TAS No. 12 Accounting for Marketable Securities and TAS No. 17 Accounting for Investments.

TAS No. 40 changes the methods to classify investments in securities from the requirements in TAS No. 12 and TAS No. 17.

TAS No. 12 and TAS No. 17 classify the investments into current and non-current securities, while TAS No. 40 classifies the investments according to the purpose of investment. At the date of acquisition of investments, the enterprise should classify the marketable securities into trading securities, available-for-sales securities, and held-to-maturity debt securities and classify the non-marketable securities as general investment. At the balance sheet date, the enterprise should evaluate the appropriateness in the classification types of prior stated investments.

TAS No. 40 also classifies the investments into short-term and long-term investments and focuses on the distinction between the types of securities. The trading securities and available-for-sales are reported in the balance sheet at fair value. The general investments are reported at historical cost. The held-to-maturity debt securities are reported at amortized cost.

The changes in value of trading securities (unrealized gain/loss of trading securities) are recognized in net income for the current period. The changes in value of available-for-sales securities (unrealized gain/loss of available-for-sales securities both short term and long term) are presented as separate items in shareholders' equity until the enterprise sell these securities. However, TAS No. 12 and TAS No. 17 require only loss from the market value below historical cost for short-term investment in securities to be included in current period net income, and only loss from market value below historical cost for long-term investment in securities to be included in shareholders' equity. That is, old accounting standard requires the marketable securities to state at lower of cost or market (LCM), while the new accounting standard requires the marketable securities to state at fair value. Moreover, TAS No. 40 indicates that the enterprise should consider the indication of impairment for held-to-maturity debt securities, long-term available-for-sales securities, and general investments.

2.4 The Adoption of Thai Accounting Standard Interpretations (TASI)

In addition to the adoption of new accounting standards in 1999, Thai Accounting Standard Board issues 4 accounting standard interpretations that currently are effective. These interpretations can be summarized as follows.

2.4.1 TAS Interpretation No. 1 *Assets Received in Satisfaction of a Receivable*

This interpretation refers to Accounting Standard: Accounting for Troubled Debt Restructurings

A creditor that receives the assets from a debtor in full satisfaction meets the condition of troubled debt restructurings specified in accounting standard "accounting for troubled debt restructurings" (TAS No.34) whenever the fair value of asset transferred to the creditors is less than investment in account receivables. In the case that fair value of asset is higher than investment in account receivables, the enterprise cannot apply the accounting standard "accounting for troubled debt restructurings" in the receipt the assets from the debtors.

The enterprise should recognize the assets at the lower of historical cost or net fair value in the case of enterprise hold the asset for sales. If the assets recognized are not for sales, the enterprise should recognize the assets at net fair value and recognize the gain that arises from fair value of net assets excess the investment in account receivables.

2.4.2. TAS Interpretation No.2 *Consolidation: Special Purpose Entities (SPE)*

This interpretation refers to Accounting Standard: Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

An SPE should be consolidated with the parents' financial statements when the substance of the relationship between an enterprise (parent) and the SPE indicates that the SPE is controlled by the enterprise.

2.4.3 TASI No. 3 ***Compound Financial Instruments issued by Financial Institutions***

This interpretation refers to Accounting Standard: Financial Instruments: Disclosure and Presentation.

This interpretation deals with the compound financial instruments issued by the financial institutions. The issuer of financial instrument should classify the instrument, or its component parts, as liability or equity in accordance with the contractual arrangement on initial recognition. The financial institution should measure the component of the instruments that measure the most easily. The remaining component is measured by subtracting the total value of instrument by the measurable component.

2.4.4 TASI No. 4 ***Expenditures Capitalized by Developing Stage Enterprises and Developed Enterprises***

This interpretation refers to Accounting Standard: Impairment of Assets.

According to the accounting framework, the enterprise should not recognize the expenditure as the asset if the expenditure does not meet the definition of assets. The enterprise should recognize the expenditure as asset when it is probable that future economic benefit will flow to the enterprise. The accounting framework does not allow the application of matching concept for the recognition of the items, which do not meet the definition of assets or liabilities in the balance sheet.

If the enterprise recognizes the expenditure as the asset which does not meet the definition in accounting conceptual framework in prior financial statement, it should be written-off from the balance sheet. Then, the enterprise should adjust the cumulative effect of change in accounting policy to the opening balance of retained earnings and retrospectively adjusted the prior financial statements according to TAS No. 39 requirement.

The examples of the expenditures capitalized by developing stage enterprises and developed enterprises should be recognized as the expenses in the period that incurred are as follows.

1. The expenditures which do not include in the cost of property, plant, and equipment such as organization establishment expenses (legal expense), pre-opening expense, and pre-operating expense.

2. The personal training expenditure,

3. The advertisement and selling promotion expenditure, and

4. The moving location expenditure.

This interpretation becomes operative for financial statements covering ending on or after 31 December 1999.

From the summary of new accounting standards and the comparison between the new accounting standards and the old ones, the effects of changes in accounting standards on the accounting items in financial statements both in the income statement and balance sheet are summarized in TABLE 2.4.

TABLE 2.4 Effects of Year 1999 Changes in Thai Accounting Standards (TAS No. 32-40) on the Accounting Items in Financial Statements

TAS No.	Effects of Changes in TAS on the Accounting Items in	
	Income Statement	Balance Sheet
32	No Effect	No Effect
33	No Effect	No Effect
34	Gain/loss on troubled debt restructurings	No Effect
35	No Effect	No Effect
36	Impairment loss of assets	Allowance for impairment loss of assets
37	No Effect	No Effect
38	No Effect	No Effect
39	No Effect	No Effect
40	Unrealized gain/loss on trading securities Impairment loss of investment in securities	Trading and available-for-sales securities are stated at fair value. Allowance for impairment loss of investment in securities Unrealized gain/loss on available-for-sales securities

From the summary of accounting standard interpretations, the effects of the adoption of these interpretations on accounting items in the financial statements are presented in TABLE 2.5.

TABLE 2.5 Effects of the Adoption of Thai Accounting Standard Interpretations (TASI) No. 1-4 on Accounting Items in Financial Statements

TAS Interpretation No.	Effects of the Adoption of TASI	on the Accounting Items in
	Income Statement	Balance Sheet
1	No Effect	No Effect
2	No Effect	No Effect
3	No Effect	No Effect
4	No Effect	Deferred expenses (other assets) which do not meet the definition of assets are written-off.

Moreover, APPENDIX B presents the summary of new accounting standards (TAS No.41-48) that become operative beginning on or after 1 January 2000 including TAS No. 49, which becomes operative beginning on or after 1 January 2001. The comparison between the new accounting standards and the old ones is also discussed. The effects of the adoption of these new accounting standards on the accounting items are also analyzed in APPENDIX B.