

The Isle of Man Society of Chartered Accountants and the Association of Chartered Certified Accountants

Statement of Recommended Accounting Practice

Last amended December 2005

1 Introduction

- 1.1 The Isle of Man Companies Acts 1931-2004 set out the requirements for audit of and information to be disclosed in the financial statements of limited companies. Section 3 (1) of the Companies Act 1982 requires that every balance sheet and every profit and loss account of a company should give a true and fair view of the state of affairs of the company at the end of its financial year and of its profit or loss for the financial year. General provisions regarding the information to be included in the profit and loss account and balance sheet are set out in Schedule 1 to the Companies Act 1982.
- 1.2 Overall, the Isle of Man Companies Acts provides limited guidance with regard to the contents of financial statements although other Isle of Man statutes prescribe disclosure requirements for regulated entities in the Isle of Man.

2 Authority

- 2.1 Under the present constitutions of the Societies of Chartered Accountants and Chartered Certified Accountants in the Isle of Man (“the Societies”) compliance with this Statement cannot be imposed on members and this Statement therefore represents a recommendation of best practice.
- 2.2 The attention of members is however drawn to statements followed by their respective professional bodies which comprise the Consultative Committee of Accountancy Bodies with regard to accounting practices to be adopted in the preparation of financial statements which are required to show a true and fair view.

3 Recommended Accounting Practice

- 3.1 There is an over-riding requirement that financial statements of an entity prepared by members of the Societies should be prepared in accordance with the Isle of Man Companies Acts 1931 to 2004 or with the company or other laws of the territory in which the concern is incorporated, registered or established. This Statement is intended to apply to all financial statements whose purpose is to give a true and fair view of the financial position and of the profit or loss of the entity for the period.
- 3.2 The financial statements of Isle of Man established entities should normally be drawn up in such a manner so as to comply with:
 - (a) Financial Reporting Standards, Urgent Issue Task Force pronouncements, Statements of Standard Accounting Practice, Statements of Recommended Practice (“SORPS”), and any other statements of accounting practice issued by the relevant accountancy bodies in the United Kingdom (“UK Accounting Standards”); or

- (b) International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee pronouncements and any other statements of accounting practice issued by the International Accounting Standards Board (“International Accounting Standards”).

If financial statements are drawn up in accordance with other standards then this should be for valid reasons, and they should be applied consistently and in totality to the financial statements. The accounting and auditing standards adopted should be disclosed in the financial statements.

- 3.3 For the purposes of definitions and exemptions, where UK Accounting Standards are adopted and they incorporate references to UK company law, then the relevant parts of UK company law should be considered in the application of the appropriate standard, where this is not contrary to the other applicable legislation.
- 3.4 Where UK Accounting Standards or International Accounting Standards grant exemptions to subsidiaries of companies incorporated in the European Union, these exemptions may be applied to countries outside the European Union, provided the same conditions are met.
- 3.5 Financial statements of entities established in jurisdictions other than the Isle of Man should be drawn up to comply with the Accounting Standards of that jurisdiction, or as otherwise disclosed.
- 3.6 Significant departures from applicable Accounting Standards should be explained and disclosed in the financial statements. The financial effects should be quantified and disclosed unless this would be impracticable or misleading in the context of giving a true and fair view. If the financial effect of departures from the relevant standard are not disclosed, the reasons should be stated.

4 Conclusion

- 4.1 A copy of this Statement has been lodged with the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants.
- 4.2 This Statement of Recommended Accounting Practice should apply to all financial statements prepared in the Isle of Man for accounting periods commencing on or after 1 January 2006.