

# Review Times

JUNE 2014



## PART 1: FINANCIAL REPORTING

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### 1.1 IASB publishes IFRS 15 Revenue from Contracts with Customers

It's finally here! The project that started with a discussion paper that was published in October 2008, followed by two exposure drafts (one published in 2010, and another revised one published in 2011) has culminated in the publication of International Financial Reporting Standard (IFRS) 15 *Revenue from Contracts with Customers* by the International Accounting Standards Board (IASB) on 28 May 2014.

IFRS 15 will apply to all contracts with customers except for those that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 will replace the various standards and interpretations on standards relating to revenue recognition, namely International Accounting Standard (IAS) 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, and SIC 31 *Revenue- Barter Transactions Involving Advertising Services*.

The core principle of IFRS 15 is for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were

not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

It is noteworthy that the IASB and the Financial Accounting Standards Board (FASB) of the United States of America have managed to achieve full convergence of the requirements for the recognition of revenue in both IFRS and US Generally Accepted Accounting Practices (US GAAP). Previously, the requirements of both IFRS and US GAAP were different and often resulted in different accounting for transactions that were economically similar. Furthermore, while revenue recognition requirements of IFRS lacked sufficient detail, the accounting requirements of US GAAP were considered to be overly prescriptive and conflicting in certain areas.

IFRS 15 will be effective for annual periods commencing 1 January 2017.

The IASB has published a very useful summary and guide on IFRS 15 at its website at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Revenue-Recognition/Documents/IFRS-15/Revenue-from-Contracts-Project-summary-Feedback-Statement-May-2014.pdf>



## **PART 1: FINANCIAL REPORTING (CONT'D)**

### **1.2 Singapore-listed companies to embrace full convergence with IFRS in 2018**

On 29 May 2014, one day after IFRS 15 was released by the IASB, the Singapore Accounting Standards Council (ASC) announced that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the IFRSs in 2018. SGX will work closely with the ASC to engage Singapore-listed companies on the transition to the new framework.

The ASC will continue working with the Monetary Authority of Singapore and SGX on other related issues. These include whether and when to extend the new financial reporting framework to other entities listed on SGX such as real estate investment trusts and business trusts, and the transition arrangements for entities seeking to list on SGX.

Singapore-listed companies have a lead time of more than three years to embrace the new financial reporting framework.

The full convergence of the Singapore Financial Reporting Standards (SFRS) with IFRS for Singapore-listed companies was the strategic direction of the ASC set in 2009. Following this, the ASC engaged proactively and worked with the International Accounting Standards Board (IASB) on a number of issues to enable full convergence with IFRS to be effected. There is also greater clarity now on the effective dates of a number of key projects undertaken by the IASB, which were of significance to Singapore entities.

Singapore-listed companies must apply the new financial reporting framework for annual periods beginning on or after 1 January 2018. Non-listed Singapore-incorporated companies may also voluntarily apply the new framework at the same time.

Leading up to 2018, the ASC will engage stakeholders on the future direction of SFRS for other entities that are under its standard-setting mandate.

### **1.3 IASB publishes amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

On 12 May 2014, the IASB published amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*.

IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The issue originated from a submission to the IFRS Interpretations Committee (the 'Interpretations Committee'). As a result, the Interpretations Committee recommended that the IASB should amend IAS 16 and IAS 38.

An entity shall apply those amendments prospectively in annual periods beginning on or after 1 January 2016. Earlier application is permitted.





## PART 1: FINANCIAL REPORTING (CONT'D)

### 1.4 IASB publishes amendments to IFRS 11 Joint Arrangements

On 6 May 2014, the IASB published amendments to IFRS 11 *Joint Arrangements*.

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments published add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

The issue originated from a submission to the IFRS Interpretations Committee. As a result the Interpretations Committee recommended that the IASB should amend IFRS 11.

An entity shall apply those amendments prospectively in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Please click [here](#) for more information.

## PART 2: AUDITING AND ASSURANCE

### 2.1 IAASB Proposes Enhancements to Auditing Standards Focused on Financial Statement Disclosures

On 14 May 2014, the International Auditing and Assurance Standards Board (IAASB) released for public comment proposed changes to the International Standards on Auditing (ISAs) to clarify expectations of auditors when auditing financial statement disclosures.

The proposals include new guidance on considerations relevant to disclosures—from when the auditor plans the audit and assesses the risks of material misstatement, to when the auditor evaluates misstatements and forms an opinion on the financial statements.

The IAASB's work has been informed by the feedback to its January 2011 Discussion Paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*. The board has also benefited from liaison and outreach with stakeholders, including accounting standard setters, which are also actively exploring initiatives relating to disclosures. The IAASB acknowledges that many of the issues around disclosures cannot be solved by the IAASB alone, and that collaboration and cooperation between many interested stakeholders is necessary to further enhance the public's confidence in financial statement disclosures.

The IAASB invites all stakeholders to comment on the IAASB Exposure Draft of proposed changes to the ISAs to address disclosures in an audit. To access the Exposure Draft or submit a comment, please click [here](#). Comments are requested by 11 September 2014.

### 2.2 ISCA issues updated Sample Independent Auditor's Report for IDA Claim Form

As part of collaborative efforts between the Institute of Singapore Chartered Accountants (ISCA) and the Info-communications Development Authority of Singapore (IDA), Appendix 2D of AGS 1 has been updated and renamed as Claim Form (IDA). The updated copy can be downloaded [here](#).

The updated Appendix 2D is to be used without any changes or modifications for grants with Letter of Offer issued on or after 1 April 2014. Use of the updated Appendix 2D for grants with Letter of Offer issued before 1 April 2014 is also preferred.



## PART 3: ETHICS

### 3.1 IESBA Proposes Enhancements to Certain Non-Assurance Services Provisions in Ethics Code

On 20 May 2014, the International Ethics Standards Board for Accountants (IESBA) released an Exposure Draft (ED), *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*. The proposed changes aim to enhance the independence provisions in the *Code of Ethics for Professional Accountants* (the Code) by:

- ◆ Providing additional guidance and clarification regarding what constitutes management responsibility, including enhanced guidance regarding how the auditor can better satisfy itself that client management will make all judgments and decisions that are the responsibility of management, when the auditor provides non-assurance services to an audit client;
- ◆ Providing better guidance and clarification on the concept of “routine or mechanical” services relating to the preparation of accounting records and financial statements for non-public interest entity audit clients; and
- ◆ Removing the provision that permits an audit firm to provide certain bookkeeping and taxation services to public interest entity audit clients in emergency situations.

The Ethics Board is also proposing enhancements to the corresponding non-assurance services provisions in Section 291—Other Assurance Engagements with respect to assurance clients.

The IESBA invites all parties with an interest in international ethics standards for the accountancy profession to respond to the ED by 18 August 2014. To access the ED, please go to the following link: <https://www.ifac.org/publications-resources/proposed-changes-certain-provisions-code-addressing-non-assurance-services-au>



## PART 4: REGULATORY AND BUSINESS

### 4.1 ISCA Invites Feedback on Proposed Guide on Anti-Money Laundering and Countering the Financing of Terrorism Requirements

Currently, guidance for auditors on relevant anti-money laundering legislations and compliance with these legislations are provided for in Statement of Auditing Practice (SAP) 1, *Guidance to Auditors on Money Laundering and Terrorism Financing* issued by ISCA. As the entire accounting profession has a part to play in safeguarding the integrity of Singapore's financial system, it is important that guidance be provided to all professional accountants on anti-money laundering and countering the financing of terrorism (AML/CFT).

Hence, ISCA has developed a proposed Guide – *Requirements of Anti-Money Laundering and Countering the Financing of Terrorism – A Guide for Professional Accountants in Singapore*, which is closely aligned to the Financial Action Task Force (FATF) model, to provide updated and relevant guidance to the accounting profession in Singapore.

This project demonstrates the commitment of ISCA to play its part in helping Singapore as a FATF member to combat money laundering and terrorism financing on a global scale. Some of the key provisions in this proposed Guide include:

- (a) Guidance on statutory responsibilities to report suspicious transactions;
- (b) Requirement for professional firms to have in place systems and controls to address money laundering and terrorism financing concerns;
- (c) Mandatory measures on customer due diligence and records keeping when providing certain services; and
- (d) Guidance on reporting procedures, training, compliance, hiring and audit.

ISCA welcomes comments on the proposed Guide. All comments are to be submitted to [technical@isca.org.sg](mailto:technical@isca.org.sg) by Monday, 16 June 2014.

Please click [here](#) for the Proposed Guide.

### 4.2 ACRA issues Practice Direction No. 2 of 2014 and Financial Reporting Practice Guidance No. 1 of 2014

On 23 April 2014, the Accounting and Corporate Regulatory Authority of Singapore (ACRA) published the above two documents.

Practice Direction No. 2 of 2014 sets out:

- (a) some guidance on directors' duties in relation to financial reporting; and
- (b) the review and sanction process of ACRA's Financial Reporting Surveillance Programme (FRSP) which involves the review of financial statements to ensure compliance with the accounting standards and other requirements in the Companies Act.

Financial Reporting Practice Guidance No. 1 of 2014 sets out the areas of the FRSP's review focus for FY2013 financial statements and at the same time, remind directors of:

- (a) the risks of misstatements and/or non disclosures in the financial statements; as well as
- (b) the information needs of shareholders and other stakeholders.

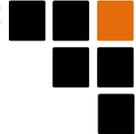
Please click [here](#) for more information.



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## ***PART 4: REGULATORY AND BUSINESS (CONT'D)***



### **4.3 ACRA issues Practice Direction No. 3 of 2014**

On 23 May 2014, ACRA issued Practice Direction (PD) No. 3 of 2014 to give greater clarity on the processing timelines set out in Practice Direction 1 of 2013, as well as applications made under Sections 373(5) and 373(7) the Companies Act. This PD should be read in conjunction with PD 1 of 2013.

Please click [here](#) for the practice direction.

### **4.4 Public Consultation on the Business Names Registration (BNR) Bill 2014**

The Ministry of Finance (MOF) and ACRA invite the public to provide feedback on the Business names Registration (BNR) Bill 2014.

Please click [here](#) for the materials to this public consultation exercise. The closing date for this public consultation exercise is 18 June 2014.

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## ***PART 5: TAXATION***

### **Updates on SIATP website**

The Singapore Institute of Accredited Tax Professionals (SIATP) has issued a number of Tax Alerts since the previous issue of the RT Review Times (2014/5).

For details of these tax alerts, please refer to SIATP's website: <http://www.siatp.org.sg/index.php/tax-news>



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