

Review Times

JULY 2014



PART 1: FINANCIAL REPORTING

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1.1 IASB issues amendments relating to bearer plants

On 30 June 2014, the International Accounting Standards Board (IASB) published amendments that change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms.

International Accounting Standard (IAS) 41 *Agriculture* currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. This is based on the principle that the biological transformation that these assets undergo during their lifespan is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives, they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates.

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. Entities are required to apply the amendments for annual periods begin-

ning on or after 1 January 2016. Earlier application is permitted.

1.2 IASB issues ED on proposed amendments to IFRS 10 and IAS 28

On 11 June 2014, the IASB published for public comment the Exposure Draft (ED) 2014/2 *Investment Entities—Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28)*.

The proposed amendments to International Financial Reporting Standard (IFRS) 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* are designed to clarify three issues about the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. The proposed amendments are as follows:

- ⇒ confirm that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities;
- ⇒ clarify when an investment entity parent should consolidate a subsidiary that provides investment-related services instead of measuring that subsidiary at fair value; and
- ⇒ simplify the application of the equity method for an entity that is not itself an investment entity but that has an interest in an associate that is an investment entity.



PART 1: FINANCIAL REPORTING (CONT'D)

1.2 IASB issues ED on proposed amendments to IFRS 10 and IAS 28 (Cont'd)

The issues originated from submissions to the IFRS Interpretations Committee, which recommended that the IASB should amend the Standards to clarify the requirements in order to reduce the risk of diversity developing in practice.

The proposals are open for public comment until 15 September 2014. This is shorter than the normal comment period, reflecting the 1 January 2014 effective date of the original requirements in IFRS 10 for investment entities. The Exposure Draft is available for download from the following link: <http://www.ifrs.org/Current-Projects/IASB-Projects/IFRS-10-IAS-28-Investment-Entities/ED-June-2014/Pages/Exposure-Draft-and-Comment-letters.aspx>

1.3 ASC issues FRS 114

On 23 June 2014, the Singapore Accounting Standards Council (ASC) issued FRS 114 *Regulatory Deferral Accounts* which is identical to IFRS 14 *Regulatory Deferral Accounts*.

The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities.

Many countries have industry sectors that are subject to rate regulation, whereby governments regulate the supply and pricing of particular types of activity by private entities. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue.

IFRSs do not provide any specific guidance for rate-regulated activities. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure.

FRS 114 is effective from 1 January 2016, with early application permitted.



PART 2: AUDITING AND ASSURANCE

ISCA issues Clarification on Audit of Long-Term Construction Contracts

On 19 June 2014, the Institute of Singapore Chartered Accountants (ISCA) issued a publication known as *Clarification on Audit of Long-Term Construction Contracts*.

The objective of the publication is to provide further clarification on the audit of revenue and costs of such contracts at the early stages of contract activity. It provides clarification on the publication known as *Practical Guidance 11 - Audit of Long-Term Construction Contracts* issued by the then ICPAS in September 2012.

To access these publications, please click on the following link: <http://caa.isca.org.sg/publications/practical-guidance-3>



PART 3: TAXATION

3.1 MOF conducts public consultation on proposed amendments to the Income Tax Act.

On 4 July 2014, the Singapore Ministry of Finance (MOF) announced that is conducting a public consultation on the Income Tax (Amendment) Bill 2014.

The proposed amendments relate to 14 changes that were announced in the 2014 Budget Statement.

The amendments include the extension of the Productivity and Innovation Credit (PIC) scheme for three years and the introduction of the PIC+ scheme, as well as the extension of tax deductions for research and development. There are also some refinements to the Income Tax Act, which include additional measures to curb PIC abuse. In this refinement, the Comptroller of Income Tax will be given additional legislative powers to deny PIC benefits arising from abusive arrangements. Penalties will also be imposed on intermediaries that promote or facilitate abusive arrangements for PIC claims.

For further information on the proposed amendments, please visit the MOF's website at the following link:

http://app.mof.gov.sg/newsroom_details.aspx?type=press&cmpar_year=2014&news_sid=20140703373045675561

The consultation period will end on 24 July 2014.

3.2 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 (2014/6).

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





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