

Review Times

AUGUST 2014



PART 1: FINANCIAL REPORTING

IASB issues final version of IFRS 9 *Financial Instruments*

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of International Financial Reporting Standard (IFRS) 9. The IASB had previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). This July 2014 version of IFRS 9 introduces the impairment requirements. The July 2014 publication replaces earlier versions of IFRS 9 and completes the IASB's project to replace International Accounting Standard (IAS) 39 *Financial Instruments – Recognition and Measurement*.

Classification and Measurement

IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. For the classification and measurement of financial liabilities, there are no material changes from IAS 39.

In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. IFRS 9 requires that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Impairment

As part of IFRS 9, the IASB has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge Accounting

IFRS 9 introduces a substantially-reformed model for general hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

Macro Hedges

IASB currently has a separate, active project on accounting for macro hedging activities. In this project, the IASB is exploring a new way to account for dynamic risk management of open portfolios. This project is still at an early stage of development with a Discussion Paper published in April 2014. Whilst awaiting the finalization of the project on macro hedging, the IASB decided to allow an accounting policy choice to apply either the hedge accounting model in IFRS 9 or IAS 39 in its entirety, with the additional choice to use the IAS 39 accounting for macro hedges if applying IFRS 9 hedge accounting.

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PART 1: FINANCIAL REPORTING (CONT'D)

IASB issues final version of IFRS 9 *Financial Instruments* (Cont'd)

Mandatory Effective Date

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Entities can however choose to apply IFRS 9 before then. From February 2015, entities newly applying IFRS 9 will need to apply the version published in July 2014. As an exception to this, prior to January 2018, the own credit changes can be applied at any time in isolation without the need to otherwise change the accounting for financial instruments.

A Project Summary providing an overview of the new Standard is available to download at the following site: <http://www.ifrs.org/Alerts/PressRelease/Pages/IASB-completes-reform-of-financial-instruments-accounting-July-2014.aspx>.

PART 2: AUDITING AND ASSURANCE

ISCA seeks comments on signing convention for Assurance, Review and Related Services Engagements

On 22 July 2014, the Institute of Singapore Chartered Accountants (ISCA) issued an Exposure Draft on the signing convention for Assurance, Review and Related Services Engagements [i.e. reports prepared in accordance with the Singapore Standards on Assurance Engagements (SSAEs), Singapore Standards on Review Engagements (SSREs) and Singapore Standards on Related Services (SSRSs) respectively].

It is proposed that:

- ⇒ Reports issued under the assurance and review frameworks (SSAEs and SSREs) shall only be signed by a public accountant.
- ⇒ Reports issued under the related services framework (SSRSs) shall only be signed by a Chartered Accountant in public practice.

The ED is open for comments until Monday, 18 August 2014. To access the ED, please visit the following site:

<http://caa.isca.org.sg/wp-content/uploads/2014/07/ISCA-ED-Signing-Convention-FINAL-2.pdf>





PART 3: REGULATORY AND BUSINESS

Introduction of minimum trading price and reduction of size of board lots

On 1 August 2014, the Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX) issued their responses to the joint consultation paper on the *Review of the Securities Market Structure and Practices*, which was published on 7 February 2014.

Amongst the new rules is the introduction of a minimum trading price of S\$0.20 as a continuing listing requirement for Mainboard-listed issuers. This is to address risks of low-priced securities being more susceptible to excessive speculation and potential market manipulation. A transition period of 12 months will be given to affected issuers to undertake corporate actions to meet the new requirement. This proposal will, over time, improve the quality of issuers listed on the SGX Mainboard.

For further details on this, and MAS and SGX responses to the other proposals in the consultation paper, please visit the following site:
<http://www.mas.gov.sg/News-and-Publications/Media-Releases/2014/MAS-and-SGX-Issue-Response.aspx>

It was also announced that SGX will reduce the board lot size for securities listed on SGX from the existing 1,000 shares to 100 shares in January 2015. The purpose of this initiative is to improve retail investors' access to a broader range of listed securities, particularly blue-chip stocks, SGX will announce details of this initiative by end August 2014.

PART 4: 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 (2014/6).

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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