

Review Times

NOVEMBER 2014



PART 1: FINANCIAL REPORTING

Singapore Accounting Standards Council issues amendments to various standards that will be effective for annual periods beginning on after 1 January 2016

On 23 October 2014, the Singapore Accounting Standards Council (ASC) issued narrow-scope amendments to various standards that will be effective for annual periods beginning on or after 1 January 2016. The standards amended are as follows:

(a) Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Financial Reporting Standard (FRS) 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets* 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 amendments have 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 amendments have 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.

(b) Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants

FRS 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 ASC decided that bearer plants should be accounted for in the same way as property, plant and equipment in FRS 16 because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of FRS 16, instead of FRS 41. The produce growing on bearer plants will remain within the scope of FRS 41.

(c) Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations

FRS 111 *Joint Arrangements* addresses the accounting for interests in joint ventures and joint operations. The amendments published additional 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.

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PART 1: FINANCIAL REPORTING (CONT'D)

Singapore Accounting Standards Council issues amendments to various standards that will be effective for annual periods beginning on after 1 January 2016 (Cont'd)

(d) Amendments to FRS 27: *Equity Method in Separate Financial Statements*

The amendments to FRS 27 *Equity Method in Separate Financial Statements* will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Prior to the revision in 2003 of the then FRS 27 *Consolidated and Separate Financial Statements* and FRS 28 *Investments in Associates*, the equity method was one of the options available to an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options.

The amendments made have therefore restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

PART 2: AUDIT AND ASSURANCE

2.1 ACRA issues Audit Practice Bulletin No 1 of 2014

The Accounting and Corporate Regulatory Authority (ACRA) has issued Audit Practice Bulletin No 1 of 2014 *Compliance with Continuing Professional Education Requirements for Renewal of Certificate of Registration by Public Accountants* which shares the key observations arising from the check conducted on the public accountants' declaration of compliance with continuing professional education (CPE) requirements under the first rolling 3-year CPE period. It seeks to provide clarification or guidance to help public accountants better understand and comply with the CPE requirements.

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

2.2 ISCA issues revised SAP 2

On 23 October 2014, the Institute of Singapore Chartered Accountants (ISCA) issued *Statement of Auditing Practice (SAP) 2 (Revised), Auditors and Public Offering Documents* which provides guidance on the general principles governing engagements relating to public offering documents. SAP 2 was revised for the purpose of incorporating revisions to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations ("SFR") and to better reflecting existing industry practice.

PART 2: AUDIT AND ASSURANCE (CONT'D)

The key revisions to the extant SAP 2 include:

- (a) New and updated references to the SFR 2005;
 - (i) Clarify that in addition to offers of listed shares, this SAP also applies to offers of securities that require a prospectus under the Securities and Futures Act (Cap. 289) (SFA), which includes offers of unlisted shares, units in business trust and debentures.
 - (ii) Revised definition of an auditor, which essentially refers to a public accountant under the Accountants Act.
- (b) Updated requirements on audited and interim financial information to reflect the resultant financial information changes in SFR 2005, which are essentially:
 - (i) Requirement to provide audited consolidated or combined financial statements of the restructured group when a group restructuring has taken place;
 - (ii) Requirement to present interim financial statements, accompanied by an opinion from the reporting auditors, where the date of lodgement of prospectus is more than six months after the end of the most recent audited financial statements.
- (c) New principles and requirements on letters of consent as required in SFR 2005 which reflect general industry practice.
- (d) Additional illustrative example reports, including a report on review of interim financial statements (example 2), a report on prospective financial information where reporting auditor reviews the basis of assumptions, calculations and accounting policies (example 3) and a report on prospective financial information where reporting auditor reviews only the calculations and accounting policies (example 3a).

SAP 2 (Revised) is effective for reports dated on or after 1 January 2015. Please click [here](#) for SAP 2 (Revised).

PART 3: ETHICS

ISCA issues Ethics Pronouncement on Anti-Money Laundering and Countering the Financing of Terrorism

ISCA has developed a new Ethics Pronouncement 200, "Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore" ("Pronouncement"). The Pronouncement is applicable to all professional accountants and professional firms in Singapore.

The Pronouncement is effective from 1 November 2014, except for the establishment of, and any improvement to, systems and controls to meet the requirements and guidance in Sections 3, 4 and 5 of the Pronouncement, which shall be implemented by 1 May 2015.

All ISCA Members are required to comply with the requirements in the Pronouncement. Apparent failure to do so may result in an investigation into the member's conduct by the Investigation Committee of ISCA. The Pronouncement is also adopted by ACRA and is applicable to public accountants and accounting entities registered under the Accountants Act who are regulated by ACRA.

The Pronouncement covers the following areas:

- (a) Section 1- Introduction and scope;
- (b) Section 2 – Legal obligations of professional accountants under the existing Singapore legislations to report suspicious transactions;
- (c) Section 3 – New requirements on the anti-money laundering (AML) and countering the financing of terrorism (CFT) systems and controls that professional firms shall have in place;
- (d) Section 4 – Requirements/guidelines on customer due diligence and records keeping measures;
- (e) Section 5 – Guidelines on other measures in the area of reporting procedures, training, compliance, hiring and audit;
- (f) Summary of basic criminal offences under the relevant legislations in Singapore;
- (g) Indicators of suspicious transactions;
- (h) Suspicious Transaction Reporting Form template; and
- (i) Supplementary guides for auditors and tax practitioners.





Contact Us



Mr Andrew Chua
Partner
Head of Technical
T: +65 66038257 (DID)
E: andrewchua@rt-ca.com



Mr Ramchand N Jagtiani
Partner
Head of Tax
T: +65 66038221 (DID)
E: rnjagtiani@rt-ca.com



Mr Ravi Arumugam
Chief Executive Officer
& Managing Partner
T: +65 66038218 (DID)
E: ravi@rt-ca.com

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RT LLP
Chartered Accountants
www.rt-ca.com | UEN: T08LL0811J
Member of RT and Independent Member of BKR International

Head Office:
1 Raffles Place #17-02 One Raffles Place Singapore 048616
T: +65 62260080 (General Line)



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