

Review Times

JUNE 2015



PART 1: FINANCIAL REPORTING

1.1 IASB issues two exposure drafts on project on Conceptual Framework

On 28 May 2015, the International Accounting Standards Board (IASB) published two exposure drafts (ED) on the Conceptual Framework project as follows:

- *Conceptual Framework for Financial Reporting (ED/2015/3)*
- *Updating References to the Conceptual Framework (ED/2015/4)*

The Conceptual Framework was last revised in 2010. In 2011, respondents to the IASB's Agenda consultation called for the IASB to restart and prioritise revision of the parts that were not revised in 2010. The IASB has listened to that feedback and plans to issue a final Conceptual Framework in 2016.

ED/2015/3 proposes a number of enhancements to the current Conceptual Framework, including:

- A new chapter on measurement that describes appropriate measurement bases (historical cost and current value, including fair value), and the factors to consider when selecting a measurement basis;

- Confirming that the statement of profit or loss is the primary source of information about a company's performance, and adding guidance on when income and expenses could be reported outside the statement of profit or loss, in 'Other Comprehensive Income (OCI)';
- Refining the definitions of the basic building blocks of financial statements—assets, liabilities, equity, income and expenses;
- Placing more emphasis on the importance of providing information needed for investors to assess management's stewardship; and
- Reintroducing an explicit reference to 'prudence', explaining clearly what it means.

The IASB has provided a 'Snapshot' providing a high-level summary of the key aspects of the ED which can be found [here](#).

The IASB has also published another ED *Updating References to the Conceptual Framework (ED/2015/4)*. This ED proposes that references to the Conceptual Framework are to be updated in the following existing pronouncements: IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32.

The deadline to provide comments to the IASB on the above two EDs is 26 October 2015. The two EDs can be accessed [here](#).

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PART 1: FINANCIAL REPORTING (CONT'D)

1.2 IASB publishes amendments to IFRS for SMEs

On 21 May 2015, the IASB announced that it has completed its comprehensive review of the International Financial Reporting Standard for Small and Medium-Sized Entities (“IFRS for SMEs”)

The IASB started the initial comprehensive review of the IFRS for SMEs in 2012, with the aim of considering implementation experience and assessing whether there was a need to make any amendments to the Standard. After consulting widely with constituents, the IASB concluded that the IFRS for SMEs required little change. However, some areas were identified where targeted improvements could be made.

The most significant changes, which relate to transactions commonly encountered by SMEs, are:

- *permitting SMEs to revalue property, plant and equipment; and*
- *aligning the main recognition and measurement requirements for deferred income tax with IFRS.*

The majority of the amendments clarify existing requirements or add supporting guidance, rather than change the underlying requirements in the IFRS for SMEs. Consequently, for most SMEs and users of their financial statements, the amendments are expected to improve understanding of the existing requirements, without having a significant effect on an SMEs’ financial reporting practices and financial statements.

Entities reporting using the IFRS for SMEs are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted provided all amendments are applied at the same time.

1.3 IASB proposes one year deferral of effective date of IFRS 15

On 19 May 2015, the IASB published ED 2015/2 to defer the effective date of IFRS 15 *Revenue from Contracts with Customers*, by one year to 1 January 2018.

IFRS 15 was issued jointly with the Financial Accounting Standards Board (FASB) of the USA in May 2014, with an effective date of 1 January 2017.

The main reason for the proposed deferral of the effective date is that the IASB is planning to issue an Exposure Draft of targeted amendments to the Standard, which will include clarifying some of its requirements and adding illustrative examples to aid implementation. These targeted amendments arise from discussions of the joint Transition Resource Group (TRG), established in conjunction with the FASB to support the implementation of the Standard.

The deadline to provide comments to the IASB on this ED is 3 July 2015. The ED can be accessed [here](#).





PART 1: FINANCIAL REPORTING (CONT'D)

1.4 ISCA issues guidance on “Application of FRS 110 Consolidated Financial Statements: Consolidation of REIT Manager by Sponsors”

Following the issuance of FRS 110 *Consolidated Financial Statements* (“FRS 110”), investments in Real Estate Investment Trusts (“REITs”) was identified as an industry that was significantly impacted on adoption of the standard. In response to this, in December 2013, the Institute of Singapore Chartered Accountants (“ISCA”) issued a practical guide titled “Application of FRS 110 Consolidated Financial Statements: Investments in Real Estate Investment Trusts (REITs)”. Whilst the guide outlined some key considerations on whether the Sponsors of REITs have control over the REITs of two different governance structures, it did not address specifically whether the Sponsors would control the REIT Manager.

In cases where the REIT Sponsor is the sole shareholder of the REIT Manager and can unilaterally appoint and remove the board of the REIT Manager, it may be clear that the REIT Manager is controlled by the REIT Sponsor. However, under the alternative structure (the “Alternative Structure”) as set out in Appendix 3 to the practical guide on “Application of FRS 110 Consolidated Financial Statements: Investments in Real Estate Investment Trusts (REITs)”, questions arise as to whether a REIT Sponsor still has control over its wholly-owned REIT Manager after relinquishing its right as the sole shareholder of the REIT Manager to appoint and remove the board of the REIT Manager.

Therefore, on 30 April 2015, ISCA had issued this guidance to set out the specific facts and circumstances to consider when assessing whether or not consolidation of the REIT Manager by a REIT Sponsor is required if the REIT Sponsor puts in place the Alternative Structure.

For the guidance on consolidation of REIT Manager by the Sponsor, please click [here](#). For reference, guidance issued in December 2013 on the assessment of control over REITs by Sponsors can be found [here](#).



PART 2: ASSURANCE AND AUDITING

2.1 ISCA issues ED on Proposed New and Revised Auditor Reporting Standards

As mentioned in our February 2015 issue of Review Times, the International Auditing and Assurance Standards Board (IAASB) had issued its new and revised Auditor Reporting standards under the Enhanced Auditor Reporting project on 15 January 2015.

Accordingly, on 13 May 2015, the Institute of Singapore Chartered Accountants (ISCA) released the Exposure Draft: *Reporting on Audited Financial Statements – Proposed New and Revised Singapore Standards on Auditing (SSAs) and Related Conforming Amendments* for public consultation.

In addition, the ISCA proposals also include conforming amendments to the following locally developed pronouncements:

- Statement of Auditing Practice (SAP) 2 (Revised), Auditors and Public Offering Documents;
- Audit Guidance Statement (AGS) 5, Audits of Entities in Specific Industries, Professions or Vocations; and
- AGS 10, Joint Audits.

2.2 Withdrawal of SAP 1

ISCA has withdrawn Statement of Auditing Practice (SAP) 1, *Guidance to Auditors on Money Laundering and Terrorism Financing* with effect from 1 May 2015.

This is in view that all sections in the ISCA Ethics Pronouncement (EP) 200, *Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore* has become effective from 1 May 2015.

Please click [here](#) to access EP 200.

It is important to take note of the three key areas in which ISCA is requesting for comments. These are identified on page 9 of the ED and are as follows:

- Respondents' views on the scope of Key Audit Matters (KAM) reporting – whether the requirement to communicate KAM should be mandatory for audits of listed entities only or it should also be applicable to other entities, which may be of public interest;
- Respondents' views on the appropriate effective date of the new and revised auditor reporting standards; and
- Respondents' views on the expanded "Responsibilities of management and directors for the financial statements" section in the auditor's report.

Please click [here](#) to access the ED. The deadline to provide comments to ISCA on this ED is 12 June 2015.

2.3 ACRA issues Practice Direction No. 4 of 2015

On 27 May 2015, the Accounting and Corporate Regulatory Authority issued Practice Direction (PD) No. 4 of 2015: Resignation of Auditors of Public Interest Companies or their Subsidiaries in relation to Sections 205AB to 205AF of the Companies Act, Chapter 50.

The PD states that with effect from 1 July 2015, auditors of public interest companies and their subsidiaries will be required to obtain ACRA's consent for resignation before the end of the term of their appointment.

To access the PD, please click [here](#)



PART 2: ASSURANCE AND AUDITING (CONT'D)

2.4 ISCA issues Standard on Assurance Engagements (SSAE) 3000 (Revised)

ISCA has issued SSAE 3000 (Revised), which deals with Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. It is based on the International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (IAASB). The standard has been revised largely to improve the clarity of existing requirements in light of experiences with the extant SSAE 3000 and the growing use of the standard internationally, and to adopt the IAASB's clarity drafting conventions.

In summary, most of the changes introduced help to improve the clarity of existing requirements rather than imposing new requirements. The features of SSAE 3000 (Revised) that will affect the audit practice are as follows:

- a) Practitioners are now required to include a statement of compliance with the ACRA Code and SSQC 1 in the assurance report;
- b) Practitioners are now required to provide more details on the actual work performed, such as the nature, timing and extent of procedures performed, in the assurance report, especially for limited assurance engagements;
- c) Under the new signing convention in Singapore effective 1 January 2015, only public accountants are permitted to sign off SSAE 3000 assurance reports as some form of assurance is expressed in the reports for engagements performed under SSAEs.

Conforming amendments

Conforming amendments have also been made to the following standards:

- a) Singapore Framework for Assurance Engagements;
- b) SSAE 3402, *Assurance Reports on Controls at a Service Organisation*;
- c) SSAE 3410, *Assurance Engagements on Greenhouse Gas Statements*; and
- d) SSAE 3420, *Assurance Engagements to Report on the Pro Forma Financial Information Included in a Prospectus*.

SSAE 3000 (Revised) and its conforming amendments are effective for assurance reports dated on or after 15 December 2015.

Please click [here](#) to access a copy of SSAE 3000 (Revised) and its conforming amendments.

PART 3: ETHICS

IESBA issues revised ED on *Responding to Non-Compliance with Laws and Regulations*.

On 6 May 2015, the International Ethics Standards Board for Accountants (“IESBA” or “the Ethics Board”) released for re-exposure an enhanced standard, *Responding to Non-Compliance with Laws and Regulations*. The proposed standard sets out a new framework to guide auditors, other professional accountants in public practice, and professional accountants in business (PAIBs) in deciding how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations.

Among other matters, the proposed standard serves to better equip auditors and other professional accountants to address such issues by providing a pathway to disclosure to an appropriate authority in appropriate circumstances without the duty of confidentiality under the *Code of Ethics for Professional Accountants* acting as a barrier. It also places renewed emphasis on the importance of senior-level PAIBs promoting a culture of compliance with laws and regulations within their organizations.

The development of the proposed standard was guided by stakeholder responses to the first ED issued in August 2012 and other extensive consultation with stakeholders, including global roundtables in Hong Kong, Brussels, and Washington, DC in 2014, and discussions with the IESBA Consultative Advisory Group.

Please click [here](#) to access the ED. The deadline to provide comments to the IESBA on this ED is 4 September 2015. For an overview of the ED, please click [here](#).



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