

# LTC Newsletter March 2013

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## Part 1: Financial Reporting

### 1.1 ON THE INTERNATIONAL FRONT

#### **IASB publishes proposals for amendments to IAS 39 *Financial Instruments: Recognition and Measurement* - Novation of derivatives and continuation of hedge accounting**

On 28 February 2013, the International Accounting Standards Board (IASB) published an Exposure Draft (ED/2013/2) proposing amendments to IAS 39 *Financial Instruments: Recognition and Measurement*. Corresponding requirements are proposed to be included in the forthcoming hedge accounting chapter in IFRS 9 *Financial Instruments*.

The objective of the proposed amendments is to introduce a narrow scope exception to the

requirement for the discontinuation of hedge accounting in IAS 39. Specifically, they propose an exception when a derivative that has been designated as a hedging instrument, is novated from one counterparty to a central counterparty (CCP), as a consequence of new laws or regulations if specific conditions are met (in this context, novation of the derivative contract is the substitution of the original counterparty to the contract for a new counterparty, being a CCP).

The IASB considered the fact that the legislative changes that would require such novation of derivatives would be widespread across jurisdictions. These legislative changes

were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

The IASB is aware that these new laws or regulations could come into effect in some jurisdictions very soon. Consequently the IASB has published this Exposure Draft with a short (30-day) comment period.

The Exposure Draft can be accessed [here](#). The deadline for submission of comments is 2 April 2013.

### 1.2 LOCAL UPDATES

#### **1.2.1 ASC issues document on Investment Entities**

On 4 February 2013, the Singapore Accounting Standards Council (ASC) issued *Investment Entities* (Amendments to FRS 110, FRS 112 and FRS 27). The amendments apply to a particular class of business that qualify as investment entities. The ASC uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such enti-

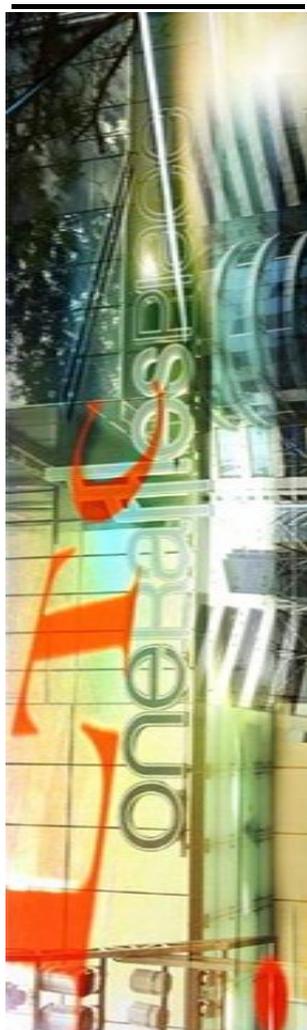
ties could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under FRS 110 *Consolidated Financial Statements*, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful

and relevant information. In response to this, the *Investment Entities* amendments provide an exception to the consolidation requirements in FRS 110 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments are effective from 1 January 2014 with early adoption permitted.

The document can be accessed [here](#).

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## 1.2 LOCAL UPDATES (CONT...D)

### 1.2.2 ICPAS issues Technical FAQs on Financial Reporting

The Technical Standards Development and Advisory (TSDA) department of the Institute of Certified Public Accountants of Singapore (ICPAS) has

collated many useful FAQs, covering topics such as financial instruments, construction contracts and functional currency.

FAQs on the Seminar on Financial Reporting Observations held in the fourth

quarter of 2012 by the ICPAS Financial Statements Review Committee (FSRC) are also available.

The FAQs are useful to both preparers and auditors of financial statements. To read more about these FAQs, click [here](#).

## Part 2: Auditing and Assurance

### 2.1 ICPAS amends Preface to the Singapore Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (Amended Preface)

In February 2013, ICPAS amended the above preface to facilitate a better understanding of the scope and authority of the pronouncements issued by ICPAS. It sets out the authority attached to the Singapore Standards, Statements of Auditing Practice (SAPs) and non-authoritative material including Singapore Auditing Practice Notes (SAPNs) and Audit Guidance Statements (AGSs).

The Preface has been amended to remove the SAPs which are out-of-date and inconsistent with the text of the clarified SSA. SAP 1000, 1004, 1005, 1006, 1010, 1012, 1013, and 1014 have been withdrawn effective 25 February 2013.

The following locally developed SAPs were retained and will remain as authoritative pronouncements:

- ◆ SAP 19, Guidance to Auditors on Money Laundering and Terrorism Financing

- ◆ SAP 24, Auditors and Public Offering Documents
- ◆ SAP 25, Audit of Listed Companies

These SAPs have been renumbered as SAP 1, 2 and 3 respectively for greater clarity and to be in sequential order.

For more information, please click [here](#).

### 2.2 ICPAS adds footnote to Singapore Standard on Auditing (SSA) 705 Modifications to the Opinion in the Independent Auditor's Report

In Feb 2013, ICPAS made some changes to the Appendix of SSA 705, as well as some editorial amendments to the SSA.

The main change is the insertion of additional footnotes in the Appendix which highlight to the auditors that when the opinions on the financial statements were modified, there might be implications on the opinion on the accounting and other records as well, which the auditors would need to assess and evaluate based on individual circumstances.

This version of the SSA 705 would need to be complied with effect from 1 April 2013.

For more information, please click [here](#)

### 2.3 ICPAS issues revised Singapore Standard on Related Services (SSRS) 4410 Compilation Engagements

In February 2013, ICPAS issued the revised Singapore Standard on Related Services (SSRS) 4410 *Compilation Engagements* which supersedes SSRS 4410 *Engagements to Compile Financial Information*. This revised Standard is effective for compilation engagement reports dated on or after 1 July 2013.

Singapore Standard on Related Services (SSRS) 4410 (Revised) *Compilation Engagements* is based on International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements* of the International Auditing and Assurance Standards Board, published by the International Federation of Accountants (IFAC) in March 2012.

SSRS 4410 (Revised) deals with the practitioner's responsibilities when engaged to assist management with the preparation and presentation of historical financial information without obtaining any assurance on that information, and to report on the engagement in accordance with this SSRS.

For more information, please click [here](#).

## Part 3: Taxation

The Singapore Institute of Accredited Tax Professionals (SIATP) has issued the following Tax Alerts on its website (<http://www.siatp.org.sg/index.php/tax-news>) since the previous issue of the LTC Newsletter (2013/2):

- ◆ Phase 2 of Co-Funding for GST ACAP (28 Feb 2013) [\[Read more\]](#)
- ◆ Wage Credit Scheme (28 Feb 2013) [\[Read more\]](#)
- ◆ New e-Tax Guide on Corporate Income Tax - Objection and Appeal Process (28 Feb 2013) [\[Read more\]](#)
- ◆ Administrative Concession on Taxability of Group Insurance Premiums in the Hands of Employees with effect from Year of Assessment 2013 (27 Feb 2013) [\[Read more\]](#)
- ◆ Budget 2013 - Overview of Tax Changes (26 Feb 2013) [\[Read more\]](#)
- ◆ Revision of GST e-Tax Guide on Retailers participating in Tourist Refund Scheme (22 Feb 2013) [\[Read more\]](#)
- ◆ Revision of GST e-Tax Guide on Visitors on Tourist Refund Scheme (22 Feb 2013) [\[Read more\]](#)
- ◆ Updates on Withholding Tax: Payments for the use of international submarine cable capacity, including payments for Indefeasible Rights of Use (IRUs) (21 Feb 2013) [\[Read more\]](#)
- ◆ Updates on Withholding Tax: Payments for Satellite Capacity (21 Feb 2013) [\[Read more\]](#)
- ◆ FAQs on Overview of PIC (15 Feb 2013) [\[Read more\]](#)
- ◆ Treatment of Items Bundled with the Purchase or Lease of PIC Automation Equipment (15 Feb 2013) [\[Read more\]](#)
- ◆ Stamp Duties (Instruments on or before 11th January 2013) (Remission) Rules 2013 (14 Feb 2013) [\[Read more\]](#)
- ◆ Casino Control Act-Casino Control (Exemption from Exclusion from Casino) Order 2013 (14 Feb 2013) [\[Read more\]](#)
- ◆ Casino Control Act-Casino Control (Exclusion from Casino - Social Assistance Programme and Subsidy Scheme) Order 2013 (14 Feb 2013) [\[Read more\]](#)
- ◆ New e-Tax Guide on Income Tax: Rights-Based Approach for Characterising Software Payments and Payments for the Use of or the Right to Use Information and Digitised Goods (8 Feb 2013) [\[Read more\]](#)
- ◆ No-Filing Service (NFS) (8 Feb 2013) [\[Read more\]](#)
- ◆ Summary of Responses: Public Consultation on the Proposed Adoption of a Rights-Based Approach for Characterising Software Payments and Payments for the Use of or the Right to Use Information and Digitised Goods (8 Feb 2013) [\[Read more\]](#)
- ◆ Singapore and Guernsey sign Agreement for Avoidance of Double Taxation (7 Feb 2013) [\[Read more\]](#)
- ◆ Updated Content on Tourist Refund Scheme for Consumers (6 Feb 2013) [\[Read more\]](#)
- ◆ Updated Content on Tourist Refund Scheme for GST-Registered Businesses (6 Feb 2013) [\[Read more\]](#)
- ◆ ECI Forms for Year of Assessment 2014 are now available (5 Feb 2013) [\[Read more\]](#)
- ◆ Government Gazette: Property Tax Act (5 Feb 2013) [\[Read more\]](#)
- ◆ Government Gazette: Stamp Duties Act (5 Feb 2013) [\[Read more\]](#)
- ◆ Government Gazette: Casino Control Act (5 Feb 2013) [\[Read more\]](#)



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