

## **PART 1: FINANCIAL REPORTING**

### **1.1 ON THE INTERNATIONAL FRONT**

#### **1.1.1 IASB Publishes IFRS Practice Statement on Management Commentary**

On 8 December 2010, the International Accounting Standards Board (IASB) published an International Financial Reporting Standard (IFRS) Practice Statement on Management Commentary, which is a broad, non-binding framework for the presentation of narrative reporting to accompany financial statements prepared in accordance with IFRSs.

The management commentary provides users of financial statements with a historical and prospective commentary on the entity's financial position, financial performance and cash flows. It serves as a basis for understanding the management's objectives and strategies for achieving those objectives.

Please click [here](#) for the IASB press release.

#### **1.1.2 IASB Proposes Improvements to Hedge Accounting**

On 9 December 2010, the IASB published for public comment an exposure draft *Hedge Accounting* on the accounting for hedging activities. The exposure draft proposes requirements that will enable companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows. The proposed model is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The proposals also include enhanced presentation and new disclosure requirements.

The exposure draft *Hedge Accounting* is open for comment until 9 March 2011 and can be accessed via the 'Comment on a proposal' section of [www.ifrs.org](http://www.ifrs.org).

Please click [here](#) for the IASB press release.

#### **1.1.3 IASB issues amendments to IAS 12 Income Taxes**

On 20 December 2010, the IASB issued amendments to International Accounting Standard (IAS) 12 *Income Taxes*. The amendments were a result from proposals published for public comment in an exposure draft in September 2010.

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale.

As a result of the amendments, SIC-21 *Income Taxes—Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Please click [here](#) for the IASB press release.

### **1.1.4 IASB issues narrow amendments to IFRS 1**

On 20 December 2010, the IASB issued two narrow amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendments confirm proposals that were published as separate exposure drafts for public comment in August and September 2010.

The first amendment replaces references to a fixed date of ‘1 January 2004’ with ‘the date of transition to IFRSs’, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendments to IFRS 1 are set out in the exposure draft *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* and are effective from 1 July 2011. Earlier application is permitted. Further details are available from the IASB website at [www.ifrs.org](http://www.ifrs.org).

Please click [here](#) for the IASB press release.

## **1.2 SINGAPORE NEWS**

### **1.2.1 Issuance of SFRS for Small Entities**

On 1 December 2010, the Singapore Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standard for Small Entities (SFRS for Small Entities or the standard), together with a statement that sets out the applicability of the standard.

The SFRS for Small Entities is closely modelled after the IFRS for Small-and Medium-Sized Entities which was issued by the IASB. The SFRS for Small Entities is an optional financial reporting framework which will be applicable for financial reporting periods beginning on or after 1 January 2011.

This standard applies to entities that are not publicly accountable, publish general purpose financial statements and are small entities, i.e., meet two of the following criteria:

- (a) total annual revenue of not more than S\$10 million;
- (b) total gross assets of not more than S\$10 million;
- (c) total number of employees of not more than 50.

The SFRS for Small Entities and the statement on applicability are available on the ASC website at [http://www.asc.gov.sg/press\\_sfrs\\_se.htm](http://www.asc.gov.sg/press_sfrs_se.htm)

### **1.2.2 IAS 1 Presentation of Financial Statements: Current/Non-current Classification of a Callable Term Loan**

The IASB IFRS Interpretations Committee had received a request to review the classification of a liability as current or non-current when the liability is not scheduled for repayment within 12 months after the reporting period, but may be callable by the lender at any time without cause.

As a result of the above and also after considering developments in Hong Kong, the Institute of Certified Public Accountants of Singapore (ICPAS) had issued a document in the CPA Singapore Weekly on 9 December 2010 on this matter. The document stated that “*The Singapore Financial Reporting Standards issued by the Accounting Standards Council are adopted from the International Financial Reporting Standards issued by the IASB. As such, the above conclusion that Callable Term Loans should be classified as current liabilities in their entirety in the statement of financial position will also apply to businesses in Singapore.*”

The change in the classification of Callable Term Loans from non-current liabilities to current liabilities is likely to affect the computation of financial ratios such as current ratios, quick ratios, etc. Such financial ratios may potentially have an impact on the businesses’ compliance with debt covenant clauses stipulated in the loan facility agreements since the revised financial ratios could now be higher than what was allowed in the debt covenant clauses.

Please click [here](#) to access the document issued by ICPAS in the CPA Singapore Weekly on 9 December 2010.

## **PART 2: AUDITING AND ASSURANCE**

### **2.1 Audit Practice Bulletin No. 2 of 2010: Impairment of Non-Financial Assets**

On 30 November 2010, the Accounting and Corporate Regulatory Authority issued the above Audit Practice Bulletin. The widespread economic slowdown experienced in recent years has affected many businesses and has led to lower than expected cash flows from non-financial assets. This increases the likelihood that the carrying amounts of assets are greater than the present values of expected cash flows from the assets, giving rise to a possible need to record impairment charges for the affected assets.

This Audit Practice Bulletin describes some of the main findings in the area of impairment testing of non-financial assets performed by the public accountants.

Please click [here](#) to access the Practice Bulletin

## **2.2 Practical Guidance on Sales and Purchases Cut-Off**

In December 2010, ICPAS issued the above practical guidance. It is the 8<sup>th</sup> practical guidance issued by ICPAS.

Financial Reporting Standard (FRS) 18 *Revenue* states that for sale of goods, one of the criteria to recognise revenue is when the entity has transferred to the buyer the significant risks and rewards associated with ownership of the goods (FRS 18, paragraph 14a). There could be instances where companies recognise revenue and purchases based on the date of sales invoices or supplier invoices respectively without taking into consideration the requirements of FRS 18 as mentioned above and this could potentially lead to improper cut-off of revenue and purchases at year-end, resulting in misstatements of the financial statements. Hence, proper revenue and purchases cut-off tests at year-end are critical in addressing the cut-off assertion for sales and purchases. The aim of this practical guidance is to provide auditors with some guidance when performing sales and purchases cut-off procedures for companies engaged in local and/or overseas trading sales of goods.

Please click [here](#) to access the practical guidance.

## **2.3 IAASB Invites Comment on Its Future Strategy and Work Program**

On 3 January 2011, The International Auditing and Assurance Standards Board (IAASB) released for comment its Proposed Strategy and Work Program for 2012–2014. The Consultation Paper was developed with input from the IAASB's April 2010 strategy survey and other consultation and outreach activities. It highlights issues facing the accounting profession and suggests priority activities for the IAASB during 2012–2014.

The IAASB is proposing to remain focused on three strategic areas:

- Developing and revising standards and pronouncements;
- Monitoring and facilitating adoption of those standards; and
- Responding to implementation concerns and improving the consistency of the standards' practical application.

The Consultation Paper is open for comment until 4 April 2011. Please click [here](#) to access the Consultation Paper.

## **PART 3: TAXATION**

### **3.1 IRAS's views on Non-Financial Derivative Payments to Non-Residents**

The Inland Revenue Authority of Singapore (IRAS) has issued their views on Non-Financial Derivatives to Non-Residents in the letter attached, following enquiries on whether payments made to non-residents in respect of non-financial derivatives fall within Section 12(6) of the Income Tax Act.

Please click [here](#) to view IRAS's clarifications in detail.

### **3.2 The Inland Revenue Authority of Singapore (IRAS) has the following updates:**

- Tax deductions for donations to IPCs made simple from 1 Jan 2011. Click [here](#) for more information.
- Reminder to sign-up for 2010 GST credits by 31 December 2010. Click [here](#) for more information.
- Second Protocol to standing DTA between Singapore and Australia takes effect. Click [here](#) for more information.
- Singapore-Slovenia Avoidance of Double Taxation Agreement Comes Into Force. Click [here](#) for more information.
- Singapore and Albania Sign Avoidance of Double Taxation Agreement. Click [here](#) for more information.
- Finance Executive and Company Convicted of Tax Evasion. Click [here](#) for more information.
- Revision of e-Tax Guide on Hotel Owners and Operators. Click [here](#) for more information.
- Revision of e-Tax Guide on Tax Exemption under Section 13(12) for Specified Scenarios and Real Estate Investment Trusts. Click [here](#) for more information.
- Tourists can look forward to hassle-free GST refunds. Click [here](#) for more information.
- Land Intensification Allowance (LIA). Click [here](#) for more information.

## **PART 4: REGULATORY & BUSINESS**

The Singapore Exchange Securities Trading Limited has recently announced changes and new measures to facilitate and reduce the time to market period for secondary fund-raising initiatives. These changes and new measures have taken effect from Saturday, 1 January 2011, as amended by the Listing Rules, which are applicable to both the Mainboard and Catalist board. A summary of these changes and new measures are as follows:

- reducing the notice period for disclosure of books from ten (10) to five (5) clear market days;
- allow the issuing of non-renounceable rights without securing the approval of specific shareholders if the rights shares are priced at not more than 10 % discount, and scrip dividends without requiring shareholders' approval if the shareholders are given a cash option;
- mandatory receipt of approval to be obtained from specific shareholders if sub-underwriting fees are paid to controlling and substantial shareholders;
- introduction of a new practice note in the Listing Manual on sub-underwriting arrangements; and

- removing the requirement of obtaining a higher threshold for renounceable pro-rata share issuances and larger discount limits for placement exercises after Friday, 31 December 2010.

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