

## **PART 1: FINANCIAL REPORTING**

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

#### **SME Implementation Group publishes draft guidance for public comment**

On 24 February 2011, the SME Implementation Group of the International Accounting Standards Board (IASB), responsible for assisting the IASB on matters related to the implementation of the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs), published for public comment its first draft guidance on the IFRS for SMEs in form of a question and answer (Q&A) document.

Developing non-mandatory and timely guidance on specific accounting questions that are being raised by those implementing the IFRS for SMEs is one of the two main responsibilities of the SME Implementation Group. The other is to make recommendations to the IASB regarding amendments to the IFRS for SMEs. These recommendations will be considered when the IFRS for SMEs is updated, approximately every three years.

The Q&A addresses whether a parent entity that itself does not have public accountability may present its separate financial statements in accordance with the IFRS for SMEs if it is part of a group that is required (or elects) to present consolidated financial statements in accordance with full IFRSs.

The draft document is open for comment until 4 April 2011 and can be accessed at: <http://www.ifrs.org/IFRS+for+SMEs/Q+and+A+IFRS+for+SMEs.htm>

### **1.2 SINGAPORE NEWS**

#### **1.2.1 Singapore Accounting Standards Council invites comments on the IASB Supplement to Exposure Draft (ED) 2009/12 *Financial Instruments: Impairment***

On 8 February 2011, the Singapore Accounting Standards Council (ASC) invited comments on the above. The period for submission of comments to the ASC ended on 25 Feb 2011. Interested parties may however submit their comments directly to the IASB by 1 April 2011.

The IASB and the US Financial Accounting Standards Board (FASB) published for public comment, proposals for accounting for impairment of financial assets such as loans managed in an open portfolio. At present, IFRSs and US generally accepted accounting principles (GAAP) account for

credit losses using an incurred loss model, which requires evidence of a loss (known as a trigger event) before financial assets can be written down. The boards have proposed moving to an expected loss model that provides a more forward-looking approach to how credit losses are accounted for, which they believe better reflects the economics of lending decisions.

The proposals are published as a supplement to an exposure draft published by the IASB in November 2009, and a separate FASB exposure draft published in May 2010. Those exposure drafts outlined different methods to account for credit impairment. Since then, the boards have worked to align their approaches. In doing so, they have sought to take account of responses to the original exposure drafts and recommendations made by the Expert Advisory Panel (EAP), an external group of risk management experts tasked with considering the operational consequences of applying an expected loss model as well as responses to the FASB proposal.

Please click [here](#) to access the supplement to the ED.

### **1.2.2 ASC invites comments on the IASB ED 2011/1 *Offsetting Financial Assets and Financial Liabilities***

On 8 February 2011, the ASC invited comments on the above ED. Comments should be submitted to the ASC no later than 4 March 2011. Interested parties may however submit their comments directly to the IASB by 28 April 2011.

The IASB and the FASB had published a proposal to establish a common approach to offsetting financial assets and financial liabilities on the statement of financial position (balance sheet). Offsetting, otherwise known as netting, takes place when entities present their rights and obligations to each other as a net amount in their statement of financial position.

At present, the circumstances when financial assets and financial liabilities may be presented in an entity's statement of financial position as a single net amount, or as two gross amounts, differs depending on whether the entity reports using IFRSs or US GAAP.

The accounting differences result in the single largest quantitative difference in reported numbers in statements of financial position prepared in accordance with IFRSs or US GAAP. This reduces the comparability of financial statements, and is especially prominent in the presentation of derivative assets and derivative liabilities by financial institutions. As a result, users and preparers of financial statements have asked the boards to find a common solution for offsetting those items. Proposing a common solution is also consistent with requests from the G20 and the Financial Stability Board (FSB).

The boards are proposing that offsetting should apply only when the right of set-off is enforceable at all times, including in default and bankruptcy, and the ability to exercise this right is unconditional, that is, it does not depend on a future event. The entities involved must intend to settle the amounts due with a single payment or simultaneously. Provided all of these requirements are met, offsetting would be required. The proposals would amend IFRSs and US GAAP and eliminate several industry-specific netting practices.

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

### **1.2.3 ASC issues *Amendments to FRS 107 Disclosures – Transfer of Financial Assets***

On 23 February 2011, the ASC issued *Amendments to FRS 107 Disclosures – Transfer of Financial Assets*. An entity shall apply the amendments for annual periods beginning on or after 1 Jul 2011.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

### **1.2.4 ASC issues *Amendments to FRS 12 Deferred Tax: Recovering of Underlying Assets***

On 23 February 2011, the ASC issued *Amendments to FRS 12 Deferred Tax: Recovering of Underlying Assets*. An entity shall apply the amendments for annual periods beginning on or after 1 Jan 2012.

FRS 12 *Income Taxes* 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 FRS 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, INT FRS 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 FRS 12 the remaining guidance previously contained in INT FRS 21, which is accordingly withdrawn.

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

### **1.2.5 ASC issues *The Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)***

On 23 February 2011, the ASC issued *The Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)*. An entity shall apply the framework for annual periods beginning on or after 1 March 2011. Chapter 1 is on the objective of general purpose financial reporting whilst Chapter 3 is on Qualitative Characteristics of Useful Financial Information.

The above were adopted from the Conceptual Framework for Financial Reporting 2010 issued by the IASB on 28 September 2010. The objective of the conceptual framework project is to create a sound foundation for future accounting standards that are principles-based, internally consistent and internationally converged. The new framework builds on existing IASB and FASB frameworks.

The issuance of the above document marks the completion of the first phase (Phase A) *Objective and qualitative characteristics* of the conceptual framework project

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

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

### **IPSASB Publishes Revised Guidance to Assist Public Sector with Transition**

The International Public Sector Accounting Standards Board (IPSASB) has released an updated and improved version of Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities. The third edition of Study 14, which features links to many useful resources, provides guidance on how to migrate to the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSASs), and is relevant to governments and other public sector entities, including international governmental organizations.

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

## **PART 3: TAXATION**

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

- Singapore Budget 2011- Highlights of Tax Changes. Please click [here](#) for more details.
- Singapore and Estonia Enhance Tax Cooperation. Please click [here](#) for more details.
- First CPA Charged for Assisting Company to Evade Tax. Please click [here](#) for more details.

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

### **SGX to offer continuous all-day trading by 2nd quarter of 2011**

On 18 February 2011, the Singapore Exchange (SGX) said it is seeking regulatory approval to offer non-stop trading from 9.00am to 5.00pm for its securities market by the second quarter of the year, instead of 1 March 2011. This follows further consultation with market participants. The later start date will help assure complete readiness of all participants.

The start of continuous trading of securities will bring Singapore in line with developed international markets at a time of increasing globalisation and competition. Trading hours in Singapore will overlap more with those of key centres in Tokyo, China and India, thereby increasing opportunities for investors participating in various markets. A non-stop trading session also will remove the additional risks investors face when they are unable to act due to a gap in the trading day.

## **Contact Us**

For further information on this bulletin, please contact our Quality Control Advisory department as follows:



Andrew Chua  
Head of Technical and Training  
  
Tel: 66038257 (DID)  
Email: andrewchua@ltc-cpa.com



Ramchand Jagtiani  
Partner  
Chief of Operations (Quality Control)  
Tel: 66038221 (DID)  
Email: rnjagtiani@ltc-cpa.com

LTC LLP  
Certified Public Accountants  
1 Raffles Place  
#20-02 One Raffles Place  
Singapore 048616  
Tel: 62260080 (General Line)

## **Disclaimer Statement**

1. This bulletin contains general information only and LTC LLP is not, by means of this document, rendering any professional advice or services. This bulletin is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a professional advisor.
2. Whilst every care has been taken in compiling this bulletin, LTC LLP makes no representations or warranty (expressed or implied) about the accuracy, suitability, reliability or completeness of the information for any purpose.
3. LTC LLP, its employees or agents accept no liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this publication or arising from any omission from it.

## **Copyright**

Copyright © March 2011 by LTC LLP. All rights reserved. No part of this bulletin may be reproduced, stored in a retrieval system, or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission from LTC LLP.

*Permit No: MICA (P) 238/07/2010*

Audit • Advisory • Valuation • Investigation

Independent Member of BKR International

LTC LLP is an accounting limited liability partnership. LLP UEN: T08LL0811J