Financial Reporting Matters: Supplement

January 2016

Year-end round up of the latest accounting, tax, legal and regulatory developments

Contents

A. New FRSs effective for annual periods ending on 31 December 2015

If a change in accounting policy arises from the adoption of a new, revised or amended FRSs, then an entity follows the specific transitional requirements in that FRS, which takes precedence over the general requirements for changes in accounting policies. When an entity follows the specific transitional requirements of an FRS, it should nonetheless comply with the disclosure requirements of FRS 8 in respect of a change in accounting policy to the extent that the transitional requirements do not include disclosure requirements.

When initial application of an FRS has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall also disclose for the current period and each prior period presented (to the extent practicable), the amount of the adjustment for each financial statement line item affected, and when applicable, the transitional provisions that might have an effect on future periods.

Generally, an entity applies a change in accounting policy retrospectively - i.e. as if the new accounting policy had always been applied - including any income tax effect. This is done by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented. Unless specifically exempted by the transitional requirements, an opening statement of financial position is required to be presented if a retrospective change in accounting policy has a material effect on the information in the opening statement of financial position.

A. New FRSs effective for annual periods ending on 31 December 2015

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Improvements to FRSs (January 2014)	The improvements issued in January 2014 are mainly minor clarifications or removals of unintended inconsistencies between FRSs. The following four of the six amendments under the *Improvements to FRSs* (January 2014) are effective for the first time in an entity's 31 December 2015 financial statements. 1) FRS 24 *Related Party Disclosures – Definition of related party* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under existing disclosure requirements of FRS 24 – e.g. loans. The relationship between the management entity and the reporting entity is however not symmetrical. From the management entity's perspective, the reporting entity is not a related party of the management entity solely as a consequence of being a customer of the management entity. The amendment applies prospectively with earlier application permitted.	1 July 2014	*IFRS Newsletter – the Balancing Items – Issue 6, December 2013*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Improvements to FRSs (January 2014)	2) **FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets – Restatement of accumulated depreciation on revaluation*** The amendments clarify the requirements of the revaluation model in FRS 16 and FRS 38, recognising that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset. FRS 16 and FRS 38 have been amended to clarify that, at the date of revaluation, the gross carrying amount: • is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset – e.g. restated in proportion to the change in the carrying amount, or by reference to observable market date; and • the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses. An entity shall apply the amendment to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.	1 July 2014	*IFRS Newsletter – the Balancing Items – Issue 6, December 2013*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Improvements to FRSs (January 2014)	3) FRS 108 *Operating Segments – Aggregation of operating segments* FRS 108 has been amended to explicitly require the disclosure of judgements made by management in applying the aggregation criteria. The disclosures include: • a brief description of the operating segments that have been aggregated; and • the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics be accounted for as a non-vesting condition. The amendment applies prospectively with earlier application permitted.	1 July 2014	*IFRS Newsletter – the Balancing Items* – *Issue 6, December 2013*
Improvements to FRSs (January 2014)	4) FRS 108 *Operating Segments – Reconciliation of the total of the reportable segment's assets to the entity's assets* This amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements of segment assets with those for segment liabilities. The amendment applies prospectively with earlier application permitted.	1 July 2014	*IFRS Newsletter – the Balancing Items* – *Issue 6, December 2013*
Improvements to FRSs (February 2014)	The improvements issued in February 2014 are mainly minor clarifications or removals of unintended inconsistencies between FRSs. The three FRSs that have been amended under the *Improvements to FRSs* (February 2014) and effective for the first time in an entity's 31 December 2015 financial statements are: 1) FRS 103 *Business Combinations - Scope exceptions for joint arrangements* FRS 103 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in FRS 111 *Joint Arrangements* – i.e. including joint operations - in the financial statements of the joint arrangements themselves. The amendment applies prospectively with earlier application permitted.	1 July 2014	*IFRS Newsletter – the Balancing Items* – *Issue 6, December 2013*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Improvements to FRSs (February 2014)	2) FRS 113 *Fair Value Measurements: Scope of portfolio exception* The scope of the FRS 113 portfolio exception – whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met – has been aligned with the scope of FRS 39. FRS 113 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of FRS 39, regardless of whether they meet the definition of a financial asset or financial liability under FRS 32, e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. An entity shall apply the amendment prospectively from the beginning of the annual period in which FRS 113 was initially applied. Earlier application is permitted.	1 July 2014	*IFRS Newsletter – the Balancing Items – Issue 6, December 2013*
Improvements to FRSs (February 2014) *(continued)*	*3)* FRS 40 ***Investment Property: Clarifying the interrelationship between FRS 103 and FRS 40 when classifying property as investment property or owner-occupied property*** FRS 40 has been amended to clarify that an entity should: • assess whether an acquired property is an investment property under FRS 40; and • perform a separate assessment under FRS 103 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under FRS 103. An entity shall apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Earlier application is permitted. Consequently, accounting for acquisitions of investment property in prior periods shall not be adjusted. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date if, and only if, information needed to apply the amendment to those earlier transactions is available to the entity.	1 July 2014	*IFRS Newsletter – the Balancing Items – Issue 6, December 2013*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions Accounting*	These narrow-scope amendments introduce a practical expedient to simplify the accounting for certain contributions from employees or third parties to defined benefit plans that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. When contributions are eligible for the practical expedient, an entity is permitted (but not required) to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered. The amendments are to be applied retrospectively. Earlier application is permitted.	1 July 2014	*In the Headlines* – *Issue 2013/20*

B. New FRSs that are not yet effective for annual periods ending on 31 December 2015 but available for early adoption

When an entity has not applied a new FRS or an amendment to FRS that has been issued but is not yet effective, the entity shall disclose this fact and any known or reasonable estimable information relevant to assessing the potential impact of applying the new FRS or amendment on the entity's financial statements.

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
FRS 114 *Regulatory Deferral Accounts*	FRS 114 was issued to provide interim guidance on accounting for regulatory deferral account balances by first-time adopters of FRS while a more comprehensive guidance on accounting for the effects of rate regulation is being considered. In order to apply the interim standard, an entity has to be rate-regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approval by an authorised body. The term 'regulatory deferral account balance' has been chosen as a neutral description for any expenses (income) deferral or variance account that: • is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers; and • would not otherwise be recognised as an asset or liability under other FRSs. FRS 114 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt FRS. However, to enhance comparability with entities that already apply FRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents FRS financial statements is not eligible to apply the standard.	1 January 2016	*In the Headlines – Issue 2014/01*

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
FRS 27 *Separate Financial Statements – Equity method in separate financial statements*	FRS currently does not permit entities to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures. The amendments to FRS 27 allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments apply retrospectively with earlier application permitted.	1 January 2016	*In the Headlines – Issue 2014/14*
FRS 111 *Joint Arrangements – Accounting for acquisitions of interests in joint operations*	The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively with earlier application permitted.	1 January 2016	*In the Headlines – Issue 2014/07*
FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets - Clarification of acceptable methods of depreciation and amortisation*	FRS 16 and FRS 38 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 to FRS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset – e.g. changes in sales volume. The amendments to FRS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue – e.g. the right to operate a toll road until the operator has collected of a sum of 10 million. The amendments apply prospectively with earlier application permitted.	1 January 2016	*In the Headlines – Issue 2014/08*

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer plants*	FRS 41 currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell (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. Under the amendments, bearer plants should now be accounted for at cost in the same way as property, plant and equipment in FRS 16. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under FRS 41. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. On transition, an entity can elect to use the fair value of bearer plants as at the beginning of the earliest comparative reporting period as deemed cost at that date. This option is intended to make adopting the amendments easier – especially for companies with long-cycle bearer plants – by avoiding the need to recalculate the asset's cost. Early adoption is permitted. When this amendment is applied by an entity for the first time, it need not disclose the quantitative information relating to amount of adjustment for each financial statements line item affected as well as on basic and diluted earnings per share for the current year. However, there is no such exemption for the prior periods presented.	1 January 2016	*In the Headlines – Issue 2014/12*

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
Improvements to FRSs (November 2014)	The four FRSs that have been amended under the Improvements to FRSs (November 2014) are as below. Earlier application is permitted. 1) *FRS 105 Non-current Assets Held for Sale and Discontinued Operations -* Changes in methods of disposal FRS 105 is amended to clarify that: • if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice-versa) without any time lag – then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting; and • if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. • The amendment is applied prospectively in accordance with FRS 8 to changes in methods of disposal that occur on or after 1 January 2016.	1 January 2016	*FRS Newsletter – the Balancing Items – Issue 7*

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
Improvements to FRSs (November 2014)	2) FRS 107 *Financial Instruments: Disclosures* • 'Continuing involvement' for servicing contracts: FRS 107 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in its entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset – e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. However the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'. The amendment is applied retrospectively, except that it need not be applied to any period presented that begins before the annual period for which the entity first applies this amendment. • FRS 107 *Financial Instruments: Disclosures* – Offsetting disclosures in condensed interim financial statements FRS 107 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to FRS 107)* are not specifically required for inclusion in condensed interim financial statements for all interim periods. However, they are required if the general requirements of FRS 34 *Interim Financial Reporting* require their inclusion. The amendment is applied retrospectively.	1 January 2016	*FRS Newsletter – the Balancing Items – Issue 7*

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
Improvements to FRSs (November 2014)	3) **FRS 19 *Employee Benefits* - Discount rate in a regional market sharing the same currency** FRS 19 is amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level. The amendment is applied from the beginning of the earliest period presented in the first financial statements in which the entity applies the amendment, with any initial adjustment recognised in retained earnings at the beginning of that period.	1 January 2016	*FRS Newsletter – the Balancing Items – Issue 7*
Improvements to FRSs (November 2014)	4) **FRS 34 *Interim Financial Reporting:* Disclosure of information 'elsewhere in the interim financial report'** FRS 34 is amended to clarify certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time. The amendment is applied retrospectively.	1 January 2016	*FRS Newsletter – the Balancing Items – Issue 7*

<table>
<tr><th>Standard</th><th>Summary of Changes</th><th>Effective date (annual periods beginning)</th><th>Relevant Publications</th></tr>
<tr><td>Amendments to FRS 110, FRS 112, and FRS 28: Investment entities: Applying the Consolidation Exemption</td><td>Amendments to FRS 110 Consolidated Financial Statements, FRS 112 Disclosure of Interests in Other Entities and FRS 28 Investments in Associates and Joint Ventures – Investment Entities: Applying the consolidation exception

FRS 110, FRS 112 and FRS 28 have been amended to clarify that:
a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity; and
intermediate parents owned by investment entities are exempted from preparing consolidated financial statements, even if the investment entity does not consolidate the intermediate parent.
A non-investment entity – e.g. a bank – may have a stake in an investment entity that it is required to equity account (typically as an associate). Such investors have an accounting policy choice to either pick up the investment entity's fair value accounting or pick up figures as if the investment entity had consolidated all of its subsidiaries.
The amendments apply retrospectively. Early adoption is permitted. When this amendment is applied by an entity for the first time, it needs to disclose the quantitative information relating to amount of adjustment for each financial statements line item affected, as well as on basic and diluted earnings per share for the immediately preceding period. However, the entity may present such information for the current period or for earlier comparative periods, but is not required to do so.</td><td>1 January 2016</td><td>IFRS Breaking News</td></tr>
<tr><td>Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</td><td>There is an inconsistency between the current requirements in FRS 110 and those in FRS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendment clarifies that when a parent loses control over a subsidiary in a transaction with an associate or joint venture, full gain is recognised when the asset transferred is a business under FRS 103 Business Combination.
(* Initially accounting periods beginning or after 1 January 2016)</td><td>* Effective date postponed until further notice</td><td>In the Headlines – Issue 2014/17</td></tr>
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Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
Amendments to FRS 1: Disclosure Initiative	*Amendments to FRS 1 Presentation of Financial Statements – Disclosure initiative* FRS 1 has been amended to clarify that specific single disclosures that are not material do not have to be presented, even if they are a minimum requirement of a standard. In addition, the order of notes to the financial statements is not prescribed. Instead, companies can choose their own order, and can also combine, for example, accounting policies with notes on related subjects. Specific criteria are provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI. The amendments also clarify that the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows FRS 1's approach of splitting items that may, or that will never, be reclassified to profit or loss. It has also been made explicit that companies: • should disaggregate line items on the statement of financial position and in the statement of profit or loss and OCI if this provides helpful information to users; and • can aggregate line items on the statement of financial position of the line items specified by FRS 1 are immaterial.	1 January 2016	*IFRS Breaking News*

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
FRS 115 *Revenue from Contracts with Customers*	FRS 115 *Revenue from Contracts with Customers* establishes a framework for determining when to recognise revenue and how much revenue to recognise. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard replaces FRS 11 *Construction Contracts,* FRS 18 *Revenue,* INT FRS 113 *Customer Loyalty Programmes,* INT FRS 115 *Agreements for Construction of Real Estate,* INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services.* The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which falls into the scope of other standards. On transition, the standard provides for two options: • Retrospective method: Entities recognise the cumulative effect of applying the new standard at the start of the earliest comparative period presented. They can also elect to use any or all of the practical expedients. • Cumulative effect method: Entities recognise the cumulative effect of applying the new standard at the date of initial application, with no restatement of comparative periods presented i.e. comparatives are presented in accordance with legacy GAAP. By contrast with retrospective method, the new standard is only applied to contracts that are open under the legacy GAAP at the date of initial application. For first-time adopter transitioning to the new financial reporting framework identical to the International Financial Reporting Standards (refer to article 3 on Singapore Listed Companies - Are you ready for full convergence to IFRS), the cumulative effect approach is not applicable. Instead, a first-time adopter is not required to restate contracts that are completed under legacy GAAP at the date of transition to IFRS when applying the retrospective approach.	1 January 2018	*In the Headlines – Issue 2014/09* *Financial Reporting Matters – Sep 2014, Dec 2014, Mar 2015, June 2015* *Sept 2015* *Transition to the new revenue standard*

Standard	Summary of Changes	Effective date (annual periods beginning)	Relevant Publications
FRS 109 *Financial Instruments*	FRS 109 *Financial Instruments* sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Under the standard, financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. On the other hand, most of the requirements for financial liabilities are carried forward unchanged from FRS 39 *Financial Instruments: Recognition and Measurement*. However, the requirements related to the fair value option for financial liabilities are changed to address own credit risk which entities are permitted to early apply in isolation. The standard contains the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. It also contains new requirements on hedge accounting which are aligned more closely with risk management and establish a more principle-based approach to hedge accounting. However, specific accounting for open portfolios or macro hedging is not addressed and would be discussed in a separate project. The standard offers a range of transition options. At one end of the spectrum, an entity can choose to restate comparatives to comply with the classification, measurement and impairment requirements in FRS 109. At the other end of the spectrum, an entity can choose not to restate comparative and instead recognise the cumulative effect in equity (the difference between the carrying amounts under FRS 39 and FRS 109 at the date of initial application) – and make no adjustment to the comparative information. There are also a series of optional and mandatory practical expedients and exemptions that create additional alternatives and may ease transition. However, the range of options available means that a detailed analysis is required to develop the most suitable transition plan.	1 January 2018	*In the Headlines – Issue 2014/13* *In the Headlines – Issue 2013/19* *Financial Reporting Matters – Sep 2014, Dec 2014, Mar 2015 Sep 2015*

C. Significant legal regulatory and tax changes in Singapore

Entities with 31 December 2015 financial year-end should take note of the following legal, regulatory and tax changes in Singapore.

1. Changes to the Companies Act

On 3 January 2016, the Accounting and Corporate Regulatory Authority of Singapore (ACRA) announced the commencement of the second phase of legislative amendments to the Singapore Companies Act (the Act). The commencement notification for these legislative amendments and the supporting subsidiary legislation were published on the ACRA website on that same day. All sections of the Companies (Amendment) Act 2014 not brought into force on 1 July 2015 (i.e. Phase 1), were brought into force on 3 January 2016, except for the following:

a) Section 121 relating to revision of defective financial statements; and

b) Section 94(e) relating to the 72-hour cut off period in constitution for submission of proxy appointments.

In summary, these are all of the changes implemented in Phases 1 and 2 that will affect the financial year ended 31 December 2015 financial statements:

a) **Repeal of Section 200 – Alignment of subsidiaries' financial year ends with Singapore incorporate holding companies (Phase 1)**

This is no longer required under the Act. Singapore-incorporated holding companies preparing their financial statements in accordance with Singapore Financial Reporting Standards have to follow the requirements in FRS 110 in respect of alignment of financial year ends. FRS 110 essentially allows subsidiaries' financial year end to be no more than three months before/after the Singapore holding companies' financial year end, with necessary adjustments to account for the effects of significant transactions or events that occur between the date of the subsidiaries' financial statements and the date of the consolidated financial statements.

b) **Revision of terminologies found in Sections 199, 201 and 207 (Phase 1)**

The table below reflects the revised terminologies:

	Before the Amendment Act	After the Amendment Act
1.	Profit and loss accounts and balance sheets	Financial statements
2.	State of affairs and results	Financial position and performance
3.	Subsidiaries	Subsidiary corporations

Financial statements that are authorised for issue on or after 1 July 2015, should follow the new terminologies in the relevant sections of the annual report (including directors' statement and independent auditors' report).

c) Introduction of the Twelfth Schedule – "Contents of Directors' Statements" (Phase 1)
The Directors' Statement replaces the existing Directors' Report and Statement by Directors. Directors are encouraged to seek advice from their corporate secretaries in respect of this new requirement, which is effective for companies whose financial year ended on or after 1 July 2015.

d) Extension of summary financial statements to all companies (Phase 2)
The use of the summary financial statements is extended to all companies, i.e., it will no longer be restricted to listed companies only.

e) Revised filing requirements for foreign companies (Phase 2)
A foreign company will be required to file their financial statements, just like the locally-incorporated companies. This is different from the existing requirement to only file the balance sheet of the foreign company and a copy of the audited accounts of its operations in Singapore.

In our June 2015 issue, we also highlighted a new exemption from preparation of financial statements for dormant unlisted companies under phase 2. This new exemption is effective in respect of financial years ended on or after 3 January 2016.

For more information on the amendments, please refer to ACRA's website on Companies Act Reform.

2. Listing rules developments and changes coming through in 2015 and beyond

a) Undertaking from directors and executive officers in announcements
From 7 October 2015, in all quarterly, half-year and full-year financial results announcements, listed companies are required to confirm that they have obtained undertakings from all its directors and executive officers in the format as prescribed in the new Appendix 7.7. Submission of such undertakings, however, is at the discretion of the Singapore Exchange (SGX).

b) Extension of privy list to more transactions
On 27 October 2015, SGX announced its decision to widen the practice of listed companies maintaining a privy list. In the past, this privy list was only applicable to takeover or reverse takeover of the listed company; or very substantial acquisitions made by the listed company. Since 1 December 2015, it has been extended to all material transactions as defined in paragraph 4 of Appendix 7.1. Similar to the undertakings above, submission of the privy list is at the discretion of SGX. Previously, paragraph 6.5 of Appendix 7.1 includes a prescribed format of such a privy list, which is now withdrawn in view of data privacy concerns.

c) Introduction of the MTP concept

As of 2 March 2015, Mainboard issuers are required to comply with the Minimum Trading Price (MTP) of S$0.20 per share. SGX will begin reviewing the compliance with the MTP requirement from 1 March 2016. Issuers will be placed on the SGX watch-list if they fail to comply with the MTP requirement, and will have a 36-month period to comply and exit from the watch-list. Issuers who fail to do so will be subject to delisting in accordance with the listing rules.

All fees for MTP-related share consolidation will be waived till 2 March 2017. Extensive resources are also made available by SGX to assist listed companies in meeting the criteria:

- A SGX Guide to MTP
- Compliance Checklist for Share Consolidation
- Frequently asked questions
- SGX webpage on MTP

d) Regulatory scrutiny by SGX

In SGX's *Regulator's Column* published on 17 November 2015, SGX's Chief Regulatory Officer Mr Tan Boon Gin raised a red flag over financial irregularities of some SGX-listed companies with operations in China. These companies have recently announced sudden adverse financial changes under what Mr Tan described as 'perplexing circumstances'. SGX advised investors to pay particular attention to the questions raised by SGX to the directors of these companies and their responses, and to band together under organisations such as the Securities Investors Association (Singapore) to engage with the company, its directors and management.

Since 7 October 2015, enforcement powers under the SGX Listing Rules have been strengthened with the launch of the Listings Disciplinary Committee and Listings Appeals Committee. These committees will complement existing governance and compliance frameworks to hear and determine charges and appeals for cases involving more serious breaches and entailing more severe sanctions. SGX and these committees can impose fines on listed companies, their office holders and issue managers for breaching listing rules, and restrict their access to Singapore's capital market.

SGX is closely monitoring:

- *companies' disclosures* – including those which show large swings in financial positions and performance
- *audit quality* – SGX will report infractions to relevant authorities
- *directors' exercise of their fiduciary duties to safeguard the company's interests and assets*

  The board should remain vigilant and satisfy themselves on the validity and reasonableness of the claims, payments and transactions, and appoint suitable professionals. Where there are concerns on possible irregularities, the board should consider if there is a need to change any of its executive officers or legal representatives. Failure by directors to discharge their fiduciary duties is a breach of SGX Listing Rules.
- *claims, write-offs and other financial developments that are significant enough to cast doubt on the company's ability to continue as a going concern*

  If there are such matters or if the company is unable to assess the state of its affairs, the company's shares may be suspended from trading.

What SGX expects from directors

The key concerns raised by SGX and what SGX expects the board and in particular, the audit committee, to do are summarised below:

Key Concerns	What Directors are expected to do
Material customer claims • Material defective product claims appear to be settled/ compensated without due process	For material claims, before paying any compensation claim or settlement, directors should: 1. Undertake appropriate steps or due diligence to verify the amount of damages claimed. Appoint reputable third party valuers to review the reasonableness and validity of the claims and ensure they are accurately reported. Ensure the calculation of the damages claimed has proper supporting documents and the basis is reviewed by the valuers. 2. Undertake its own independent investigations and request for and review documents and records to verify management's representations. Ensure claims are independently verified.
Significant write-offs of accounts receivables and other assets • Trade receivables written off ballooned and explanations did not provide clarity • Lack of apparent accountability for prolonged credit terms to customers, non-trade loans and advances made to business associates; prepayments to suppliers and deposits for capital expenditure; and the significant subsequent write-offs The above led to substantial erosion of the companies' assets. Consequently, the companies aggressively impaired plant, land and real estate properties to nominal or below open market value.	Before carrying out significant write-offs, directors should: 1. Deliberate on the controls and question the merits of the payments or the actions taken by management to recover the amounts. 2. Question the reasonableness of the methodologies used to determine the values of write-offs or impairment of fixed assets. 3. Where in doubt, seek appropriate independent professional advice, such as opinions from a reputable law or international accounting firm, who have the necessary experience and track record.

3. ACRA's Audit Quality Indicators Disclosure Framework

The Accounting and Corporate Regulatory Authority of Singapore (ACRA) has recently introduced an Audit Quality Indicators (AQIs) Disclosure Framework (the "Framework"). The aim is to enhance the discussions between audit committees (AC) and audit firms on audit quality matters. The Framework is available for voluntary adoption by ACs of all listed entities in Singapore. KPMG Singapore is leading the change by voluntarily adopting the AQIs for its listed audit clients.

The Framework comprises eight (8) AQIs for reporting to ACs as follows:

No	AQI	Engagement / Firm-level AQI	Relevance
1	**Audit hours**		The number of hours spent by senior audit team members
2	**Experience**		The years of audit experience of audit team members involved in an audit engagement
3	**Training**	&	The average structured training hours received by the auditors in the past year
4	**Inspection**	&	The outcome of audit quality inspections carried out on audit engagements
5	**Independence**	&	Independence breaches
6	**Quality control**		Resources in the Quality Control Functions of the audit firm to equip audit teams in delivering quality audits
7	**Staff oversight**		The average number of auditors managed by each audit partner and audit manager in the audit firm
8	**Attrition rate**		The percentage of auditors that left the audit firm in the past years

There are many considerations which have an influence on audit quality. The ACs should therefore bear in mind that whilst the AQIs aim to provide insights into factors that contribute to audit quality, there are inherent limitations and therefore, the factors should not be assessed in isolation.

Measuring audit quality is not an easy task. The drivers of audit quality involve both direct and indirect factors and are often obscured and hard to measure. Therefore, the assessment should be built based on the interactions with and knowledge of the auditors. The AQIs should therefore not be interpreted literally but rather as the means to kick start a robust and meaningful discussion between the AC and the audit firm in assessing the audit quality.

4. Salient tax changes that could benefit businesses for the financial year ended 31 December 2015

1. **Extension of Corporate Income Tax (CIT) Rebate for Year of Assessment (YA) 2016 and YA 2017**
   The 30% CIT rebate for YA 2016 and YA 2017, subject to a reduced cap of $20,000 (instead of $30,000) per company per YA, is available to all companies (including registered business trusts and companies which are not tax resident in Singapore). The CIT rebate is computed based on the tax payable amount after deducting set-offs (e.g. double tax relief, unilateral tax credits, tax remission) but before tax deducted at source.

   As IRAS will compute and allow the CIT rebate automatically, companies need not factor in the CIT rebate when filing their estimated chargeable income and income tax returns. However, companies are reminded to include the CIT rebate when computing the tax provision for financial year ended 31 December 2015, if material.

2. **Enhancement of Double Tax Deduction (DTD) for Internationalisation Scheme**
   Under the DTD scheme, businesses may claim a 200% tax deduction on qualifying expenditure incurred on qualifying market expansion and investment development activities, subject to conditions.

   The DTD for Internationalisation scheme has been enhanced to include qualifying salary expenses incurred for Singapore employees posted overseas to a newly set-up or acquired overseas entity, subject to conditions. Qualifying expenditure has to be incurred from 1 July 2015 to 31 March 2020 (both dates inclusive).

   Under this scheme, the Singapore entity has to be a tax resident in and carrying on business in Singapore. It will be treated as having incurred the salary expenses if it directly incurs that expenditure, or if the overseas entity bears the salary expenses and is subsequently reimbursed by the Singapore entity (i.e. the salary expenses are subsequently recharged to the Singapore entity). The Singapore entity has to be the contractual employer of the employee posted overseas.

   Applications are subject to IE Singapore's approval. If granted, the tax deductions will be available on up to five employees' salaries per year. Qualifying salary expenses will be capped at S$15,000 per month per employee. The tax deduction will be applicable for the first three years of establishment or acquisition (including of equity interests therein) of the overseas entity.

3. **Introduction of International Growth Scheme**
   This new incentive is introduced to support Singapore companies with high growth potential to expand overseas, while anchoring their key business activities and headquarters in Singapore.

   Companies awarded this incentive will enjoy a concessionary tax rate of 10% for a period up to five years on their qualifying incremental income from approved qualifying activities, in excess of a base income. The base income and income not derived from approved qualifying activities will be taxed at the prevailing corporate tax rate.

   Qualifying activities refer to the commercial activities that are aligned with the companies' international growth plan, e.g. business services, engineering and technical services, tourism related services, headquarter services, financial services, healthcare related services, international trade services, manufacturing and related services, professional services, and transport and logistics services.

   Applications can be made to IE Singapore during the approval window period from 1 April 2015 to 31 March 2020.
   Refer to Issue 13 of KPMG Tax Alert July 2015 for more details on the qualifying conditions under the DTD for Internationalisation Scheme and International Growth Scheme.

For an overview of the other income tax measures that affect businesses, please refer to March 2015 issue of the KPMG Financial Reporting Matters.

Common abbreviations

ASC	Accounting Standards Council in Singapore
ACRA	Accounting and Corporate Regulatory Authority
CPF	Central Provident Fund
DP	Discussion Paper
ED	Exposure Draft
FASB	U.S. Financial Accounting Standards Board
FSP	FASB Staff Position
FRS	Singapore Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ISCA	Institute of Singapore Chartered Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
INT FRS	Interpretation of Financial Reporting Standard
IRAS	Inland Revenue Authority of Singapore
LM	Listing Manual of the Singapore Exchange
MAS	Monetary Authority of Singapore
MOF	Ministry of Finance
PCAOB	Public Company Accounting Oversight Board
REIT	Real Estate Investment Trust
SGX	Singapore Exchange
XBRL	eXtensible Business Reporting Language

Note: All values in this publication are in Singapore Dollars, unless otherwise stated.

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