KPMG

Financial Reporting Matters

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Reminders for the FY2017 annual report

It's the time of the year for the finalisation of your annual report. This publication summarises significant matters relevant for FY2017 annual reports. In particular, this publication highlights ACRA's new enquiry process and its key focus areas for review of FY2017 annual financial statements under its Financial Reporting Surveillance Programme.

One of the key focus areas is the disclosure of the effects of the adoption of new accounting standards. This publication reminds companies and directors on the expected disclosures and also includes a summary of forthcoming changes to accounting standards that may be relevant for the said impact disclosure.

In addition, companies and directors are advised to take note of the amendments to the listing rules for the FY2017 annual report. For instance, companies and entities listed on the Singapore Exchange Limited (SGX) are now required to issue their first sustainability report in 2018. In addition to the number of treasury shares, SGX-listed companies are also required to disclose the number of shares held by its subsidiary (subsidiary holdings) in the shareholders' statistics statement.

On income taxes, companies can now opt to claim tax deduction for the payments made under an Research & Development (R&D) cost-sharing arrangements (CSA) incurred for qualifying R&D projects without the need of providing expenditure details. Companies and directors are reminded to consider these changes for the purpose of computing tax expense for the year.

This publication also summarises forthcoming changes to the Singapore Companies Act (the "Act"), whereby the timelines for holding annual general meetings and filing the annual returns will be aligned with the company's financial year-end. In addition, companies will no longer be able to arbitrarily change their financial year-ends. Companies and directors are advised to watch out for these developments as the effective date is expected to be announced in the first half of 2018.

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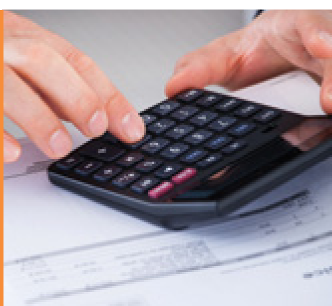

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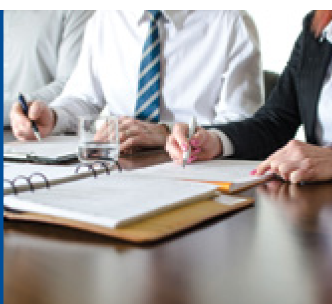

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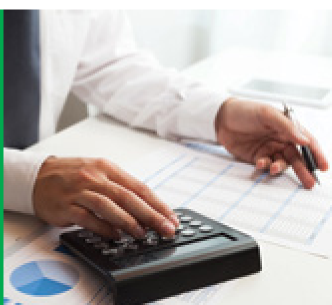

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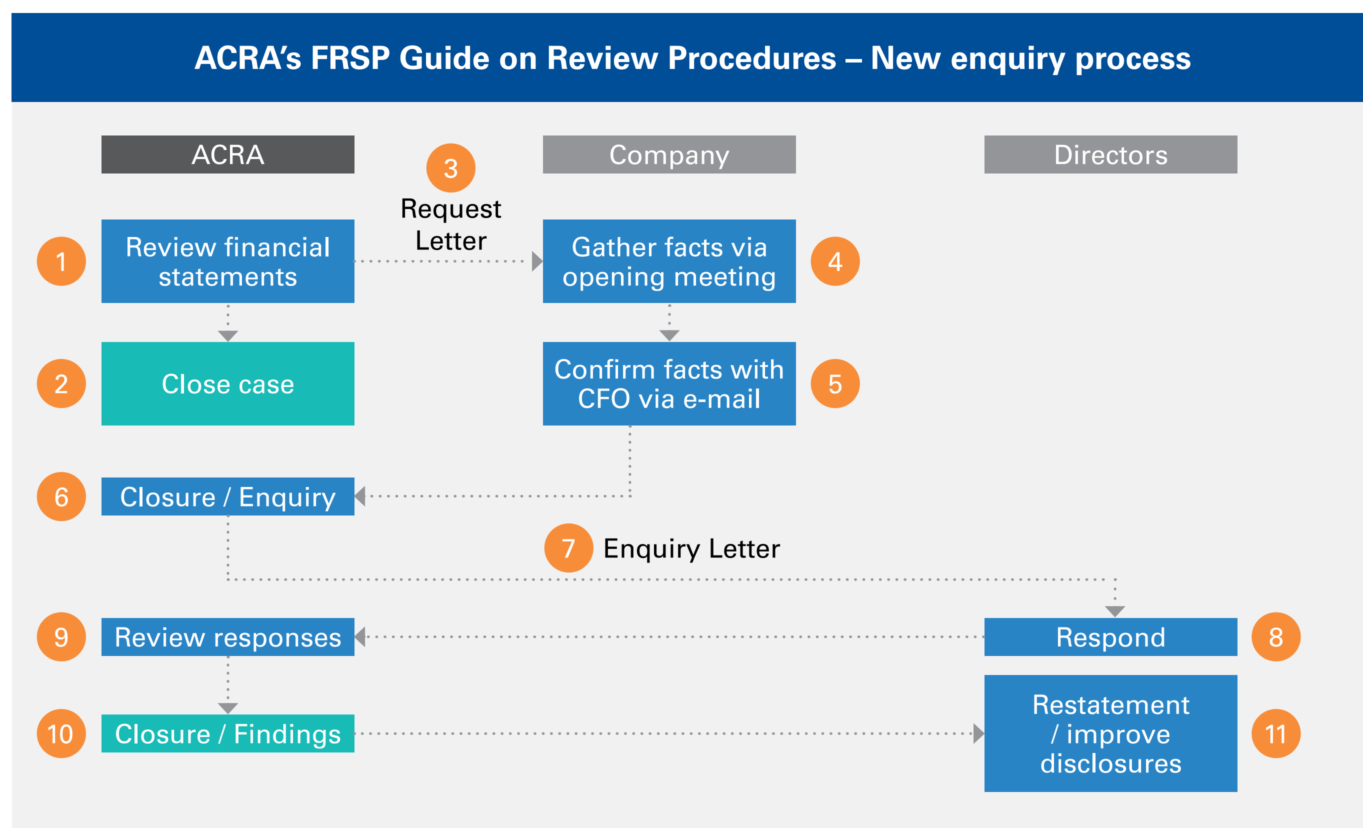
ACRA's Financial Reporting Surveillance Programme

In January 2018, ACRA released a Practice Guidance highlighting eight areas of review focus for FY2017 financial statements under the Financial Reporting Surveillance Programme (FRSP).

The FRSP was established to guide companies to meet the requirements in the prescribed accounting standards. ACRA has also published a Guide on Review Procedures to share the review procedures which were effective since 1 April 2017 when financial statements are selected for review. Management and directors may want to read the Guide to familiarise themselves with the review procedures which will be useful, particularly when their companies' financial statements are selected for review under the FRSP.



New enquiry process – ACRA's FRSP Guide on Review Procedures

The Guide includes ACRA's review and facts gathering procedure and, where there is an indication of a material misstatement, remediation procedures. A high-level overview of the process is as follows:

- ACRA reviews selected financial statements for any indication of a material misstatement, in consultation with ISCA's Financial Statements Review Committee. Where there is no indication of a material misstatement, ACRA closes the review case with no points for enquiry.
- Where there is an indication of a material misstatement, ACRA may send a Request Letter to ask for an opening meeting with company representatives. For the opening meeting, ACRA encourages directors to assign company representatives such as the chief financial officer, and the chief executive officer or the audit committee chairman to represent the company.
- Following the opening meeting, ACRA may request for certain facts to be confirmed or additional documents to be provided.

- If the indication of a material misstatement remains, ACRA sends an Enquiry Letter to seek directors' explanations for adopting the accounting treatment.
- After reviewing the responses, ACRA will take the following actions based on the severity of the findings:
  - When there are no findings or the findings are minor, ACRA closes the review by requiring remedial actions.
  - When the findings are considered judgemental and / or have a significant financial impact on key measures used by investors, ACRA may engage other stakeholders or obtain an independent expert review, before sending the Findings Letter to the directors, highlighting the findings and where applicable, remedial action to be undertaken by the company and its directors.
  - Where financial statements reviewed are found to contain findings of significance, ACRA may invite directors and management to a closing meeting to inform on the findings of significance, and to explain how and by when remedial action must be undertaken and completed, before the Findings Letter is issued.
- ACRA will work with companies to correct material findings and findings of significance by restating the financial statements. Depending on the severity of the breaches, remediation could range from:
  - restating comparatives or improving disclosures in the next year's financial statements
  - restating comparatives in the next results announcement; and / or
  - restating, re-auditing and re-filing past year(s)'s financial statements.
- Where a company refuses to remediate within the prescribed timeline or in egregious cases, ACRA will consider enforcing directors' duties under the Companies Act and where necessary, issue notices to inform the public.

Eight areas of review focus under the FRSP for FY2017 financial statements

On 2 January 2018, ACRA has released Financial Reporting Practice Guidance No.1 of 2018, which sets out the areas of review focus (as listed below) for FY2017 financial statements. The Practice Guidance serves as a useful reference and reminder for directors on potential areas to watch out for:

1. Upcoming changes in accounting standards and convergence with IFRS (i.e. Singapore Financial Reporting Standards (International) [SFRS(I)])
2. Going concern assumption and disclosures
3. Long-life asset value and impairment testing
4. Recognition of significant one-off gains or losses
5. Considerations of reserved matters or other contractual rights in assessing consolidation or equity accounting
6. Carving out intangible assets and determining acquisition date in business acquisitions
7. Classification of cash flows in the statement of cash flows
8. Significant judgement and estimates disclosures

The details on the specific points that companies and directors could consider based on each area of review focus are included in Appendix I.

Companies and directors are advised to carefully consider the areas of review focus identified by ACRA before authorising the FY2017 financial statements.

If the accounting matter is complex or judgemental, directors may also consider seeking independent advice from external technical specialists or subject matter experts. The Singapore Companies Act allows directors to rely on others, who have the necessary expertise and experience to help.

However, directors have to exercise care and diligence and need appropriate competence in their review of the financial statements. This includes obtaining further independent advice, if necessary, questioning the accounting treatment applied and challenging management's judgements and estimates when the treatment or accounting outcome does not reflect their understanding of the substance of the transaction or the matter considered. ACRA expects directors and management to make the judgements in good faith and the accounting standards adopted to reflect the substance of the transactions.

Companies and directors are also advised to ensure that minutes of meetings are maintained with sufficient details to demonstrate the robust discussions that had occurred during their review of the FY2017 financial statements.

Companies and directors may find the following guides useful:

Publication	Purpose / Title
Financial Reporting Practice Guidance No.1 of 2018	Areas of review focus for FY2017 financial statements under the FRSP administered by ACRA
ACRA's Financial Reporting Surveillance Programme Guide on Review Procedures	ACRA's review procedures under the FRSP
Working together to raise the bar on financial reporting	ACRA's second report on the surveillance work and findings of its second review cycle on FY2014 financial statements under its FRSP
ACRA & I: Being an effective director	Guidebook sharing experiences, knowledge and practices of audit committee members on corporate governance practices

For more timely and topical information to assist you, please refer to our KPMG Audit Committee Institute website.

Newly effective and forthcoming accounting standards

One of ACRA's key focus areas for review of FY2017 financial statements is the disclosure relating to the financial statement impact of the upcoming adoption of new accounting standards.

Entities adopting Singapore Financial Reporting Standards (International) [SFRS(I)]

For financial years beginning 1 January 2018, the following entities are required to adopt a new financial reporting framework identical to International Financial Reporting Standards, SFRS(I):

- all Singapore-incorporated companies that have issued or are in the process of issuing equity or debt instruments for trading on the Singapore Exchange (SGX-listed);
- all Singapore-incorporated companies that have issued or are in the process of issuing equity or debt instruments for trading in an over-the-counter (OTC) market in Singapore;
- registered business trusts under the Business Trusts Act; and
- foreign-incorporated companies and business trusts that are SGX-listed and are currently reporting under FRS.

On the contrary, REITs must continue to comply with the Code on Collective Investment Schemes issued by MAS, and will continue to prepare their financial statements under ISCA's RAP 7 *Reporting Framework for Unit Trusts*. In addition, all other Singapore-incorporated companies are allowed to continue preparing their financial statements using the Financial Reporting Standards in Singapore ("FRSs") or voluntarily adopt SFRS(I).

With SFRS(I) and the new accounting standards for SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* coming into effect, as described in the Financial Reporting Practice Guidance No.1 of 2018 relased by ACRA, ACRA expects companies to report more progressive developments, including known or reasonably estimable quantitative information on the impact of the new framework and standards in the FY2017 financial statements.

Generally, these would include a description of the change in accounting policies and quantifiable impact to the financial position and results, which are necessary to provide users with an understanding of:

- any material adjustments to the statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows; and
- any material impact to equity and earnings/loss per share.

Quantitative impact disclosures are provided only if these are known or reasonably estimable, which should be more definitive by the first quarter results announcement date. In addition, management should consider including caveats to inform users of uncertainties that may result in changes to current assessments of the possible impacts on adopting the new standards. Below are some example caveats for consideration.

- *The assessment made by the entity is preliminary as not all transition requirements have been finalised and therefore may be subject to adjustment.*
- *The impact assessment of adopting SFRS(I) is preliminary because accounting policies and transition choices can continue to be adjusted until 31 December 2018. We believe that it is unlikely that we will change any of our decisions, but we cannot foresee all circumstances that might result in such a change.*

IRAS has recently issued two e-Tax guides on the income tax treatment on transactions accounted for using FRS 109 and FRS 115 which are identical to SFRS(I) 9 and SFRS(I) 15. The tax implications arising from these newly issued guides should be considered and disclosures caveated if the assessment is incomplete.

Entities reporting under Financial Reporting Standards in Singapore ("FRSs")

For entities not adopting SFRS(I) and continuing to report under FRSs, FRS 109 *Financial Instruments* and FRS 115 *Revenue from Contracts with Customers*, amongst other new FRSs and amendments to FRSs, are also coming into effect for financial years beginning 1 January 2018. These entities are required to disclose any known or reasonable estimable qualitative and quantitative information relevant to assessing the potential impact of applying the new or amended FRSs on their financial statements.

Summary of changes to accounting standards

The appendices provide an overview of the new FRSs, amendments to or interpretations of FRSs in issue as at 31 December 2017.

Entities may use these appendices to check against their own circumstances to see if any require changes to the financial statements or any disclosures for the year end 2017.

Appendices	Purpose / Title	Impact on FY2017 financial statements
Appendix II	New FRSs effective for annual periods ending on 31 December 2017	For these new FRSs, 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. These changes are effective for the FY2017 financial statements.
Appendix III	Forthcoming FRSs that are not yet effective but available for early adoption for annual periods ending on 31 December 2017 *Application to entities adopting SFRS(I) in 2018* The forthcoming FRSs are identical to the equivalent SFRS(I) standards except for the transition requirements and are applicable to entities applying SFRS(I) for the first time in 2018. In addition to these new forthcoming standards, entities adopting SFRS(I) in 2018 for the first time also have to apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* to transition to the new framework.	For these new FRSs, entities are required to disclose any known or reasonable estimable qualitative and quantitative information relevant to assessing the potential impact of applying the new or amended FRSs on the financial statements Notably, ACRA also expects companies to report more progressive developments, including known or reasonably estimable quantitative information in the FY2017 financial statements.

Listing rules developments and changes

Companies and directors are advised to consider the following changes to the listing rules when preparing their FY2017 annual reports:

- a sustainability report will be issued for first-time;
- in addition to the number of treasury shares, number of subsidiary holdings held shall be disclosed in the statement of shareholders' statistics;
- summary financial statements may now be prepared as per applicable legislation, subsidiary legislation or code and not necessarily limited to the Act.

Sustainability report

Many of the SGX-listed issuers with a financial year ended 31 December 2017 will be issuing their first set of sustainability report in 2018 and annually thereafter. Rule 711A states that every SGX-listed issuer is required to issue a sustainability report for its financial year, no later than 5 months after the end of the financial year. Sustainability practices of the SGX-listed issuer must be described with reference to the primary components[1] set out in Rule 711B. Should any primary component be excluded from the sustainability report, the SGX-listed issuer must disclose such exclusion and describe what it does instead, with reasons for doing so.

SGX-listed issuers have the choice of either:

- issuing their sustainability reports together within the annual reports; or
- if more appropriate for the circumstances of the issuer, by including a summary within the annual report before issuing a full standalone report within 5 months of the end of the financial year (i.e. 31 May 2018). In the first year of reporting, the period for issuance of the full standalone report is extended to 12 months of the end of its financial year (i.e. 31 December 2018).

Statement of shareholders' statistics

In preparing the statement of shareholders' statistics under Rule 1207(9), a SGX-listed company is now required to also state the number of subsidiary holdings held, in addition to the number of treasury shares held and used in computing the percentage against the total number of shares outstanding in a class that is listed. The term "subsidiary holdings", with a definition similar to that in the Singapore Companies Act (the 'Act"), refers to a subsidiary holding shares of its holding company. Such shares are treated in a manner which is similar to that of treasury shares held by the holding company itself and are also excluded from the calculation of the issued share capital when dealing with voting rights.

Summary financial statements (SFS)

In preparing summary financial statements (SFS), an amendment has been made to Rule 711 to recognise that a different legislation, subsidiary legislation or code may apply to the issuer in respect of SFS. Previously, the Listing Rules permit an issuer to issue SFS in accordance with the Act only. This amendment is to reflect the practical scenario where an issuer may also include entities other than companies that are listed on the SGX, for example, a real estate investment trust or a business trust.

[1] Refer SGX-ST Listing Rules Practice Note 7.6 (Paragraph 4.1) for more details

Salient tax changes that could benefit businesses for the financial year ended 31 December 2017

The Budget 2017 statement introduced several tax measures, of which the following may be relevant for computing current and deferred tax expense for the financial year ended 31 December 2017:

1. Liberalisation of tax deduction for payments under Cost Sharing Agreements (CSAs) for R&D projects

The Budget 2017 proposed a safe harbour rule for taxpayers to opt to claim tax deduction under section 14D of the Income Tax Act (ITA) for 75% of the payments made under an R&D CSA incurred for qualifying R&D projects, without the need of providing expenditure details.

As a result of the post-Budget feedback, to ease compliance, the Ministry of Finance has decided to liberalise the tax treatment for CSA payments as follows:

- From YA 2018, taxpayers will be able to claim full deduction of CSA payments in respect of any R&D without the need to provide a breakdown of the expenditure covered by the CSA payments. The R&D activities need not be related to the taxpayer's trade or business, and need not be undertaken in Singapore if unrelated to the taxpayer's trade or business.
- From YA 2018 to YA2025, taxpayers can also claim an additional 50% deduction on qualifying payments under a CSA on R&D performed in Singapore, by himself or a R&D organisation on his behalf, even if the cost are reimbursed under the CSA. This enhanced deduction is subject to a prescribed cap.
- For YA 2018, the enhanced 300% deduction will be given on qualifying payments under a CSA for foreign R&D or for that part of the R&D undertaken in a foreign country, subject to a cap.

Please refer to paragraph 8 of IRAS e-Tax Guide on Research and Development Tax Measures (Fifth edition) dated 1 December 2017 for more details on tax treatment for payments made under CSAs.

2. Extension of Corporate Income Tax (CIT) Rebate

As announced in Budget 2017, for YA 2018, all companies will enjoy the CIT rebate at a rate of 20% of the corporate tax payable, subject to a cap of $10,000. As announced in Budget 2018 on 19 February 2018, the CIT rebate will be enhanced to 40% of the corporate tax payable, subject to a cap of $15,000 for YA2018. IRAS will compute and allow the CIT rebate automatically so companies need not factor in the CIT rebate when filing their estimated chargeable income and income tax returns.

Companies are reminded to include the CIT rebate (based on Budget 2017) when computing the tax provision for financial year ended 31 December 2017, if material. If your financial year ends before 19 February 2018, the measurement of current and deferred taxes should not take into consideration the effect of the new tax measures introduced in Budget 2018. However, if the tax changes arising from the new tax measures are material to the financial statements, a description of the new measures and an estimate of their financial effect shall be disclosed as a subsequent event.

3. **Enhancement of Global Trader Programme (GTP)**

   To encourage companies to grow their international physical trading operations in Singapore and to reduce the administrative and compliance burden, the GTP scheme is enhanced with effect from 21 February 2017 to remove certain conditions.

   The GTP scheme has also been enhanced with effect from 26 October 2017 to allow a company that carries on the businesses of international trading in commodities derivatives or brokering international trading in commodities to apply for GTP, subject to conditions. Previously, businesses conducting these activities can only be approved under the GTP scheme if they are also in the business of physical trading.

   Please refer to our Tax Alert Issue 33 on GTP for more details on the GTP enhancements.

   The enhancement of GTP will affect current and deferred tax measurements if more items qualify for concessionary tax rate for the specific companies.

Postponement of the introduction of Intellectual Property (IP) Development Incentive (IDI)

The introduction of IDI as announced in Budget 2017 was planned to take effect on 1 July 2017. This has been postponed to a date to be advised by the Economic Development Board.

IP income will be removed from the scope of Pioneer-Services / Headquarters Incentive and the Development and Expansion Incentive (DEI)-Services / Headquarters for new incentive awards approved on or after 1 July 2017. Existing incentive recipients will continue to have such income covered under their existing incentive awards and taxed under the relevant concessionary tax rate till 30 June 2021.

Existing companies which have been awarded a Pioneer-Services/ Headquarters Incentive or DEI-Services/ Headquarters status could be affected by the upcoming changes. These companies should consider reviewing their incentive awards and compliance processes to ensure that IP assets and corresponding IP income can be tracked separately from qualifying income under the Pioneer Services or DEI.

Please refer to our Tax Alert Issue 16 on IDI for more considerations on the IDI.

In addition, existing companies whose Pioneer-Services/ Headquarters Incentive or DEI-Services/ Headquarters status extends beyond 30 June 2021 may need to review the applicable tax rate used to compute deferred taxes relating to IP income.

For an overview of the other income tax measures that affect businesses, please refer to the KPMG publication Singapore Budget 2017 Report and the April 2017 Issue of the KPMG Financial Reporting Matters.

Changes to the Companies Act (the "Act")

Companies, particularly small-and-medium enterprises, will benefit from some of the changes to the Act. In particular, private companies will be exempted from holding Annual General Meetings (AGMs), subject to specific safeguards. Furthermore, the timelines for companies to hold AGMs and file annual returns will also be simplified.

These changes, termed as Phase 3 amendments, are expected to be introduced in the first half of 2018. One of the biggest changes, in addition to the revision to timelines for filing the annual returns and holding of AGMs, coming through is where companies will no longer be allowed to arbitrarily change their financial year-end (FYE). Companies will be required to notify the Registrar of their FYE upon incorporation and of any subsequent change. In addition, approval from the Registrar is mandated:

i. if upon incorporation, the duration of a company's financial year is more than 18 months;

ii. to change their FYE:
   - if the change in FYE will result in a financial year longer than 18 months; or
   - if the FYE was changed within the last 5 years.

Specific to incorporation of new companies, there will no longer be an option to hold its first AGM within 18 months of incorporation; instead, it will be aligned with the Company's FYE.

Current requirements	Forthcoming requirements	Description of change
Timing for holding AGMs (Amendments to Sections 175 and 201)		
Timeline 1: Hold first AGM within 18 months of incorporation, and subsequent AGMs yearly at intervals of not more than 15 months	Timeline 1 is disregarded.	The timelines for holding AGMs will be aligned with the company's FYE. This is to provide greater clarity and improve companies' compliance with the Companies Act's requirements.
Timeline 2: Financial statements tabled at AGM must be made up to a date within 4 months (for listed company) or 6 months (for any other company) before the AGM date.	**For all listed companies:** • Hold AGM within 4 months after FYE **For other company:** • Hold AGM within 6 months after FYE	
Timing for filing of annual returns (Amendment to Section 197)		
For companies having a share capital and keeping a branch register outside Singapore: • File annual returns within 60 days after AGM	**For companies having a share capital and keeping a branch register outside Singapore:** • File annual returns within 6 months (if listed) or 8 months (if not listed) after FYE	The timelines for filing of annual returns will be aligned with the company's FYE. This is to provide greater clarity and improve companies' compliance with the Companies Act's requirements.
For other companies: • File annual returns within 30 days after AGM	**For other companies:** • File annual returns within 5 months (if listed) or 7 months (if not listed) after FYE	

The current option for private companies to dispense with the holding of AGMs via a dispensation resolution will remain but the timelines will be changed for consistency with alignment to FYE. In addition, this exemption will be extended to:

- private companies if the financial statements are sent to its members within 5 months of the FYE; and
- private dormant relevant companies [defined under S201A(2)].

When exempted, the due date for submission of the annual report will be changed to 7 months after FYE (existing due date is 30 days after FS is sent and AGM resolutions passed). As a safeguard, a member can still request for an AGM no later than 14 days before the last day of the 6th month after FYE.

Appendix I

Eight areas of review focus under the FRSP

Areas of review focus	Specific points identified by ACRA that directors should consider
1. Upcoming changes in accounting standards and convergence with IFRS (i.e. SFRS(I))	• Checking that the financial effect is adequately disclosed. Based on ACRA's observations of FY2016 financial statements, ACRA is encouraged to see some companies disclosing meaningful qualitative information on how their accounting policies would be affected when the new accounting standards are adopted. As some new accounting standards, including SFRS(I), will be effective by the time FY2017 financial statements are issued, ACRA expects companies to report more progressive developments, including known or reasonably estimable quantitative information in the FY2017 financial statements. The disclosures will help shareholders assess the possible impact from the new accounting standards. • Ensuring preparation for adoption of the new accounting standard for leases is on track. As future lease payments will generally be recognised as a financial liability instead of just being disclosed as lease commitments, liabilities may increase. Directors may wish to keep a close tab on the entity's compliance with loan covenants and have management engage financiers, as necessary.
2. Going concern	• Evaluating key assumptions used to assess whether the company is able to continue as a going concern where the company has indicators of financial difficulty (such as substantial operating losses, net current liability position, unfavourable financial ratios, inability to pay creditors, breach of loan covenants or significant uncertainty on refinancing of maturing borrowings). • Evaluating if the related party has the realistic ability and intention to provide the financial support, where the going concern assumption is substantiated by a letter of financial support from the related party. • Ascertaining that significant judgments made in concluding that the going concern assumption is appropriate, are disclosed fully and in a timely manner, to enable investors to make informed decisions.
3. Long-life asset value and impairment testing	• Enquiring what impairment test has been conducted where certain operating segments are loss making; and enquiring how the indicators of impairment (such as loss of major customers, order cancellations and plan to discontinue or restructure operations) are relevant. • Enquiring what impairment test has been conducted where there are material goodwill and indefinite-life intangible assets as an annual impairment test is required. • Assessing the key assumptions used by management to ascertain that they reasonably reflect the current business plan, the economic outlook and other industry-specific conditions. Ask if there is any change in the methodology used and evaluate the reasons for the change. • Asking management how they have ensured that all cash outflows required to generate projected cash inflows are included in the assessment.

Areas of review focus	Specific points identified by ACRA that directors should consider
	• Checking that the discount rate reflects the risks specific to the asset. • Assessing key assumptions (such as revenue, gross margin and net profits) are reliable by comparing last year's projections to current year's actual results. Where practicable and available, compare current year's projections against those used by industry peers. • Asking what are the key assumptions where a reasonably possible change would significantly affect the impairment charge recognised, if the headroom is small or the quantum of impairment charge is not aligned with the directors' understanding of the business. Review these assumptions carefully to ensure that they are not overly aggressive or conservative. Request for sensitivity analysis to assess the impact of reasonably possible changes to these assumptions. • Confirming any reversal of impairment loss is a result of a real improvement in underlying factors / business, the reversal of depreciable / amortisable asset is limited to its carrying amount (net of depreciation / amortisation had no impairment loss been recognised), and the reversal is not attributable to goodwill. • Ensuring that impairment disclosures are meaningful and complete, including the commercial reasons for recognising or reversing an impairment charge. Where the headroom is small and the carrying value of the asset is material, check that the sensitivity analysis is disclosed for investors to assess the safety margin. Directors are reminded to look out for key assumptions that are frequently not disclosed (such as revenue growth, margins and specific costs) or disclosures that are frequently missed out (such as whether the assumptions reflect past experience or are consistent with external sources of information, and if not, how and why they differ).
4. Significant one-off gains or losses	• Ascertaining that these reflect the economic reality of the arrangements rather than their legal form, by: - considering all relevant facts and circumstances, including the commercial intent of entering into the transactions, the terms in the agreements and financial instruments used; - evaluating alternative accounting treatment(s) and concluding that the adopted accounting treatment is the most appropriate; and - making critical judgements in good faith, without bias or pressure, with supportable evidence and where possible, advice from experts. • Seeking the assistance of independent professional valuers if investment property, derivatives, biological assets and investments carried at fair value are significant and specialised in nature. Review the valuer's credential, scope of work and valuation interval (considering the significance of the asset and volatility of prices) when engaging a valuer. Assess whether the fair value change is in line with the directors' understanding of the market conditions and asset attributes.
5. Consolidation or equity accounting	• Understanding the rationale for and assessing how reserved matters and other contractual rights may affect the Group's control, joint control or significant influence over its investees. While some of such rights may be termed 'protective' in the agreement, they can be 'substantive' (grant control) from an accounting perspective and hence, result in the need to consolidate the investee. • Ascertaining that the accounting treatment is consistent with the economic reality.

Areas of review focus	Specific points identified by ACRA that directors should consider
6. Business acquisitions	• Engaging external professional valuers for acquisitions with material goodwill. • Checking if the scope of the valuer's involvement includes identification of specific intangible assets and is not restricted to identifying only specific intangible assets pre-identified by management. To obtain more comfort, directors may wish to ask the valuer to include assessing reasonableness of management assumptions used in the overall valuation exercise. • Paying attention to the determination of the acquisition date. Common errors arising include: using the date when the sale and purchase agreement was signed as the acquisition date when there were substantive precedent conditions in the agreement that had not been fulfilled; and consolidating profits from a date before the parent obtained control of a subsidiary and before the sale and purchase agreement was signed, on the basis that the parent would be entitled to some pre-acquisition profits.
7. Statement of cash flows	• Ascertaining that foreign currency translation differences arising from the consolidation of foreign subsidiaries / operations are not presented as an adjusting item when determining operating cash flows using the indirect method, as these do not involve cash flows. For companies with significant foreign operations, ACRA encourages companies to prepare the consolidated statement of cash flows by using the individual foreign operations' statements of cash flows presented in their respective functional currencies, to facilitate the identification of non-cash foreign currency translation differences.
8. Significant judgment and estimates	• Ensuring that those judgements with the most significant impact and that are most subjective or complex, are meaningfully disclosed.

Appendix II

New FRSs effective for annual periods ending on 31 December 2017

Newly effective standards	**FY2017**
Amendments to FRS 7 *Statement of Cash Flows – Disclosure Initiative*	✔
Amendments to FRS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*	✔
Amendments to FRS 112 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*	✔

Standard	**Summary of changes**	**Effective date (annual periods beginning)**	**Relevant publications**
Amendments to FRS 7 *Statement of Cash Flows – Disclosure Initiative*	The amendments require entities to provide information about changes in liabilities. The amendments aim to help users of financial statements evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The amendments require an entity to disclose (to the extent necessary to achieve this objective): • changes from financing cash flows; • changes arising from obtaining or losing control of subsidiaries or other businesses; • the effect of changes in foreign exchange rates; • changes in fair values; and • other changes. The amendments: • define liabilities arising from financing activities as liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities; • state that the additional disclosure requirements also apply to changes in financial assets (e.g. assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities; and	1 January 2017	*Insights - Disclosure on changes in financing liabilities*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
	• give an example of a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financial activities. When the entity first applies these amendments, it is not required to provide comparative information for preceding periods.		
Amendments to FRS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*	The amendments clarify that: • the existence of a deductible temporary difference (DTD) depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. • when assessing the recognition of a deferred tax asset, if the tax law restricts the utilisation of tax losses to deduction against income of a specific type, a DTD is assessed in combination only with other DTDs of the appropriate type. • in estimating future taxable profits, an entity should exclude tax deductions resulting from the reversal of those DTDs. On transition, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or another component of equity), without allocating the change between opening retained earnings and other components of equity. If an entity applies this relief, it shall disclose that fact.	1 January 2017	*Insights – Deferred tax assets on unrealised losses*
Amendments to FRS 112 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*	As part of its process to make non-urgent but necessary amendments to IFRS, ASC has issued the Annual Improvements to FRSs 2014–2016 Cycle. The amendments clarify that the disclosure requirements in FRS 112 apply to an entity's interests that are classified as held for sale, held for distribution or discontinued operations, except for the requirement to provide summarised financial information for subsidiaries, joint ventures and associates.	1 January 2017	*Insights – Annual Improvements to IFRS*

Appendix III

Forthcoming FRSs that are not yet effective but available for early adoption for annual periods ending on 31 December 2017

Forthcoming changes to accounting standards [2]	FY2018	FY2019
FRS 115 *Revenue from Contracts with Customers* and Amendments to FRS 115 *Revenue from Contracts with Customers – Clarifications to FRS 115*	✔	
FRS 109 *Financial Instruments*	✔	
Amendments to FRS 102 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*	✔	
Amendments to FRS 40 *Investment Property – Transfers of Investment Property*	✔	
Amendments to FRS 101 *First-time adoption of Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*	✔	
Amendments to FRS 28 *Investments in Associates and Joint Ventures – Measuring an associate or joint venture at fair value*	✔	
Amendments to FRS 104 *Insurance Contracts – Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	✔	
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	✔	
FRS 116 *Leases*		✔
Amendments to FRS 109 *Financial Instruments – Prepayment Features with Negative Compensation*		✔
Amendments to FRS 28 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*		✔
INT FRS 123 *Uncertainty over Income Tax Treatments*		✔
Amendments to FRS 110 *Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *		✔

*Effective date deferred indefinitely

[2] **Application to entities adopting SFRS(I)**
The forthcoming FRSs are identical to the equivalent SFRS(I) standards except for the transition requirements and are applicable to entities applying SFRS(I) for the first time in 2018. In addition to these new forthcoming standards, entities adopting SFRS(I) in 2018 for the first time also have to apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* to transition to the new framework.

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 and how to recognise revenue. 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 the 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 fall into the scope of other standards. On transition, the standard provides 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 one or more 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 the comparative periods presented i.e. comparative periods are presented in accordance with legacy GAAP. For a first-time adopter transitioning to the new financial reporting framework identical to IFRS (first-time adopter), the cumulative effect method 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 method. There are also a series of practical expedients available to both an existing FRS preparer and a first-time adopter that may ease transition. *(In November 2015, the mandatory effective date of FRS 115 has been deferred by one year to 1 January 2018, via *Amendments to FRS 115: Effective Date of FRS 115.*)	1 January 2018*	*Financial Reporting Matters –* June 2015, Sept 2015, Jan 2016, Apr 2016

<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 115 Revenue from Contracts with Customers – Clarifications to FRS 115</td><td>The amendments clarify some requirements under FRS 115 and provide additional transitional relief for entities that are implementing FRS 115.

The amendments clarify the following:

• Two or more promised goods or services are separately identifiable performance obligations if the nature of the promise is to transfer individual goods and services. Conversely, two or more promised goods or services are not separately identifiable performance obligations if the nature of the promise is to transfer a combined item (or combined items) for which the promised goods or services are inputs to a combined item (or items).

• An entity is a principal if it obtains control of the good or service before it is transferred to the customer. Otherwise, the entity is an agent.

• Revenue from grant of licence of intellectual properties (IP) is recognised at a point in time if the IP has significant stand-alone functionality. If the entity's ongoing activities are expected to significantly change the form or functionality of the IP or if the ability of the customer to obtain benefit from the IP is substantially derived from, or dependent upon, those activities, revenue from grant of licence of IP is recognised over time.

• Sales-based and usage-based royalty exception which generally results in royalty being recognised when the sale or usage occurs, applies only when the royalty relates to a licence of IP or when a licence of IP is the predominant item to which the royalty relates.

The amendments include the following additional optional practical expedients:

• entities applying the retrospective method do not need to restate contracts that are completed at the beginning of the earliest period presented and contracts that were modified before the beginning of the earliest period presented.

• entities applying the cumulative effect method can also choose not to restate contracts that were modified before the beginning of the earliest period presented or before the date of initial application.

Once an election is made not to restate modified contracts, entities shall reflect the aggregate effect of all of the modifications that occur before the respective dates, when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the performance obligations.</td><td></td><td></td></tr>
</table>

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
FRS 109 *Financial Instruments*	FRS 109 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 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 comparatives 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 comparatives. There are also a series of optional and mandatory practical expedients and exemptions that create additional alternatives and may ease transition.	1 January 2018	*In the Headlines* – Issue 2014/13 *Financial Reporting Matters* – Sep 2014, Dec 2014, Sept 2015, Jan 2016, Feb 2018

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Amendments to FRS 102 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*	The narrow-scope amendments clarify that: • the measurement of cash-settled share-based payments (SBP) should follow the same approach as for equity-settled SBP; • as an exception, for classification purposes, a SBP transaction with employees is accounted for as equity-settled if the terms of the arrangement permit or require an entity to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement, and the entire SBP transaction would otherwise be classified as equity-settled if not for the net settlement feature; and • for modification of awards from cash-settled to equity-settled: - at the modification date, derecognise the liability for the original cash-settled SBP; and measure the equity-settled SBP at its fair value and recognise in equity to the extent that the goods or services have been received up to that date. - recognise in profit or loss immediately the difference between the carrying amount of the liability derecognised and the amount recognised in equity as at modification date. As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if entities have the required information. For a first-time adopter, the amendments are required to be applied retrospectively for grants of equity instruments that vest after the date of transition and liabilities arising from share-based payment transactions that are settled after the date of transition.	1 January 2018	*Insights – Clarifying share-based payment*
Amendments to FRS 40 *Investment Property – Transfers of Investment Property*	The amendments clarify that a property asset is transferred to or from investment property *when and only* when there is an *actual change in use*. This happens when: • an asset meets or ceases to meet the definition of investment property; and • there is evidence of the change in use. A change in management intention alone does not support a transfer.	1 January 2018	*Insights – Transfers to and from investment property*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
	The amendments clarify that the examples of evidence of a change in use included in the standard are not exhaustive – i.e. other forms of evidence may support a transfer. An entity has a choice on transition to apply: • the prospective approach i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or • the retrospective approach i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight. For a first-time adopter, the amendments are required to be applied retrospectively, but only if it does not involve the use of hindsight.		
Amendments to FRS 101 *First-time adoption of Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*	As part of its process to make non-urgent but necessary amendments to IFRS, ASC has issued the Annual Improvements to FRSs 2014–2016 Cycle. Removed outdated exemptions for first-time adopters of FRS relating to transition provisions in: • FRS 107 *Financial Instruments: Disclosures;* • FRS 19 *Employee Benefits;* and • FRS 110 *Consolidated Financial Statements (Investment Entities).*	1 January 2018	
Amendments to FRS 28 *Investments in Associates and Joint Ventures – Measuring an associate or joint venture at fair value*	The amendments clarify that: • a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss on an investment-by-investment basis. • a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.	1 January 2018	*Insights – Annual Improvements to IFRS*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Amendments to FRS 104 Insurance Contracts – Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	The amendments introduce two optional solutions for insurers (i.e. entities that issue insurance contracts) to reduce the impact of the differing effective dates of FRS 109 *Financial Instruments* and the new insurance contracts standard, and respond to concerns regarding temporary accounting mismatches and volatility. Two optional solutions are provided: • Temporary exemption from FRS 109: Rather than having to implement FRS 109 in 2018 (for entities with December year-ends), some entities will be permitted to continue to apply FRS 39 for annual periods beginning before 1 January 2021. To qualify, a reporting entity's activities need to be predominantly connected with insurance on its annual reporting date immediately before 1 April 2016. Management may have to consider both qualitative and quantitative factors in determining whether the entity meets the eligibility criteria. Applying the temporary exemption for entities within a group structure could result in entities preparing financial information under both FRS 39 and FRS 109. • Overlay approach: This optional solution provides an overlay approach to presentation to alleviate temporary accounting mismatches and volatility. For designated financial assets, an entity is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under FRS 109 and those that would have been reported under FRS 39. Entities applying the overlay approach will have to produce and track FRS 39 and FRS 109 values in parallel for designated financial assets. A first-time adopter is permitted to apply these amendments – i.e. the temporary exemption from IFRS 9 and the overlay approach – if they meet the applicable eligibility criteria. In assessing its eligibility for the temporary exemption, a first-time adopter uses carrying amounts determined under IFRS for its initial eligibility assessment – i.e. on its annual reporting date immediately before 1 April 2016. A first-time adopter that applies the overlay approach restates comparative information to reflect the overlay approach if it restates comparative information under IFRS 9.	1 January 2018	*Insights – Insurance IFRS 4 amendments*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	The new interpretation clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. The interpretation applies when an entity: • pays or receives consideration in a foreign currency; and • recognises a non-monetary asset or liability – e.g. non-refundable advance consideration – before recognising the related item. On initial application, entities may choose to apply the interpretation: • retrospectively; or • prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after: - the beginning of the reporting period an entity first applies the interpretation; or - the beginning of a prior reporting period presented as comparative information. A first-time adopter need not apply the interpretation to foreign currency assets, expenses and income in the scope of the interpretation initially recognised before the date of transition.	1 January 2018	*Insights – Foreign currency transactions – Advance consideration*
FRS 116 *Leases*	*For Lessee:* FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with terms of more than 12 months, unless the underlying assets are of low value. Subsequent to initial recognition, a lessee depreciates ROU assets over the shorter of the useful life of the ROU assets or the lease term. A lessee also recognises interest expense on the lease liabilities. *For Lessor:* FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.	1 January 2019	*Insights – Leases* *Financial Reporting Matters – Apr 2016*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
	When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 *Revenue from Contracts with Customers* is also applied. Both lessor and lessee are required to retrospectively apply FRS 116's requirements upon application. However, FRS 116 provides an option for a modified retrospective approach and certain practical expedients.		
Amendments to FRS 109 *Financial Instruments – Prepayment Features with Negative Compensation*	**Prepayment features with negative compensation** For a debt instrument to be eligible for measurement at amortised cost or FVOCI, FRS 109 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Under FRS 109 (as issued in 2014), a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). Applying FRS 109 (as issued in 2014) would probably result in these instruments being measured at fair value through profit or loss (FVTPL). However, measuring such instrument at amortised cost, using the effective interest method, provides useful information about the amount, timing and uncertainty of their future cash flows. Accordingly, the amendment removes the word 'additional' so that negative compensation may be regarded as 'reasonable compensation' irrespective of the cause of the early termination. Financial assets with these prepayment features can therefore be measured at amortised cost or at FVOCI if they meet the other relevant requirements of FRS 109.	1 January 2019	*Insights – IFRS 9 – Changes warranting immediate attention*

<table>
<tr><th>Standard</th><th>Summary of changes</th><th>Effective date (annual periods beginning)</th><th>Relevant publications</th></tr>
<tr><td></td><td> Modification of financial liabilities Common practice under FRS 39 Financial Instruments: Recognition and Measurement is to recalculate the effective interest rate (EIR) at the modification date to reflect the revised contractual cash flows, without recognising a gain or loss at that date. The Board clarified that FRS 109 (as issued in 2014) requires preparers to: recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR; and
recognise any adjustment in profit or loss. The accounting treatment is therefore consistent with that required for modifications of financial assets that do not result in derecognition. </td><td></td><td></td></tr>
<tr><td>Amendments to FRS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</td><td> The amendment to FRS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of FRS 28 and FRS 109 Financial Instruments, as shown in the three-step annual process: Step 1: Apply FRS 109 independently by ignoring any prior years' FRS 28 loss absorption. Step 2: If necessary, prior years' FRS 28 loss allocation is trued-up in the current year, because the FRS 109 carrying value may have changed. This may involve recognising more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Step 3: Any current year FRS 28 losses are allocated to the extent that the remaining LTI balance allows. Any current year FRS 28 profits reverse any unrecognised prior years' losses and then allocations against LTI. </td><td>1 January 2019</td><td>Insights – Long-term interests in associates and joint ventures</td></tr>
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Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
INT FRS 123 *Uncertainty over Income Tax Treatments*	INT FRS 123 clarifies the accounting for uncertainties in income taxes. The Interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under FRS 12 *Income Taxes*. The Interpretation does not apply to taxes or levies outside the scope of FRS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Under INT FRS 123, an entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. The uncertainty should be reflected using the measure that provides the better prediction of the resolution of the uncertainty either the most likely amount or the expected value. The most likely amount method might be appropriate if the possible outcomes are binary or are concentrated on one value while the expected value method might be appropriate if there is a range of possible outcomes that are neither binary nor concentrated on one value. The Interpretation also requires consistent judgements and estimates to be applied to current and deferred taxes. In addition, entities are to reassess the judgements and estimates applied if facts and circumstances change. INT FRS 123 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in accordance with FRS 1, about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected. On transition, INT FRS 123 provides two options: • Retrospective method: Entities apply the amendments retrospectively, but only if it does not involve the use of hindsight. • Cumulative effect method: Entities recognise the cumulative effect of applying INT FRS 123 at the date of initial application, with no restatement of the comparative periods presented. Instead, the entity recognises the cumulative effect as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate). The date of initial application is the beginning of the annual reporting period in which the entity first applies INT FRS 123.	1 January 2019	*Insights – Income tax exposures*

Standard	Summary of changes	Effective date (annual periods beginning)	Relevant publications
Amendments to FRS 110 *Consolidated Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	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 to its associate or joint venture, gain/loss is recognised in its entirety when the transferred assets constitutes a business under FRS 103 *Business Combinations*. The amendments are to be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. * (In December 2015, the mandatory effective date of the amendments has been deferred indefinitely, via *Amendments to Effective Date of Amendments to FRS 110 and FRS 28*.)	** Effective date deferred indefinitely*	*In the Headlines – Issue 2014/17*

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