Review Times

December 2015

ONE FACE ACROSS ASEAN

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1. Financial Reporting

1.1 ACRA issues Practice Guidance No. 2 of 2015

On 9 December 2015, the Accounting and Corporate Regulatory Authority (ACRA) issued Practice Guidance No. 2 of 2015 which highlights the ten areas of review focus under the Financial Reporting Surveillance Programme (FRSP) for FY2015 Financial Statements. The practice guidance serves to guide directors and other financial statements preparers on some of the areas of potential misstatements in the financial statements, such as the impairment assessment of long-life assets, the breach(es) of borrowing covenants, impact from foreign currency movements, and the control assessment over investees.

In 2014, ACRA expanded the scope of the FRSP to proactively enforce against poor financial reporting that leads to unreliable information. During the first review cycle where 49 sets of listed FY2013 Financial Statements were reviewed, ACRA issued 4 warning letters and 29 advisory letters to directors of listed companies for not ensuring that their company's financial statements complied with the prescribed accounting standards.

To download Practice Guidance No. 2 of 2015, please visit the following URL: http://ow.ly/VKcoI

1.2 ASC defers effective date of FRS 115 to 1 January 2018

On 11 November 2015, the Singapore Accounting Standards Council (ASC) amended the effective date of Financial Reporting Standard (FRS) 115 *Revenue from Contracts with Customers* from 1 January 2017 to 1 January 2018. The deferral by one year is to align the effective date of FRS 115 with International Financial Reporting Standard (IFRS) 15 *Revenue from Contracts with Customers.*

1.3 IASB issues exposure drafts on proposed amendment to IAS 40 and proposed annual improvements

On 19 November 2015, the International Accounting Standards Board (IASB) published two exposure drafts (ED). The first covers a proposed narrow-scope amendment to International Accounting Standard (IAS) 40 *Investment Property*. The second covers proposed amendments to three other IFRSs as part of the IASB's annual improvements process.

ED/2015/9 *Transfers of Investment Property (Proposed amendment to IAS 40)* proposes a narrow-scope amendment to IAS 40 to clarify the guidance on transfers to, or from, investment properties.

For more details, please visit the following URL: http://ow.ly/VKcuU

The second ED is on the *Annual Improvements* to IFRSs 2014-2016 Cycle (ED/ 2015/10), covering proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards,* IFRS 12 *Disclosure of Interest in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*.

For more details, please visit the following URL: http://ow.ly/VKcyF

1.4 IASB proposes amendments to the current Insurance Contracts Standard to provide temporary reliefs for insurers

On 9 December 2015, the IASB published ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* containing proposals to amend IFRS 4. This is to address the temporary consequences of the different effective dates of IFRS 9 and the new insurance contracts Standard.

Both IFRS 9 (which was issued in July 2014 and has an effective date of 1 January 2018) and the new Insurance Contracts Standard (which will replace IFRS 4 and has a later effective date) are relevant to companies that issue insurance contracts. Some of those companies have expressed concerns about the need to implement two significant changes in accounting on different dates. They have also highlighted that potential increased accounting volatility could arise in profit or loss if the new requirements for financial instruments were to be applied before the new requirements for insurance contracts.

In order to balance meeting the needs of those stakeholders with the needs of users of financial statements, the Board has proposed the following amendments to IFRS 4. These proposals supplement existing options within IFRS 4 that could be used to address any accounting volatility that may arise:

- The overlay approach: an option for a company that issues insurance contracts to remove from profit or loss the incremental volatility in profit or loss caused by changes in the measurement of financial assets upon application of IFRS 9. This approach would be in place until the new Insurance Contracts Standard comes into force; and

- The deferral approach: an optional temporary exemption from applying IFRS 9 that would be available to companies whose predominant activity is to issue insurance contracts. Such a deferral would be available until the new Insurance Contracts Standard comes into effect (but it could not be used after 1 January 2021).

For more details, please visit the following URL: http://ow.ly/VKcIg

2. Assurance & Auditing

2.1 ISCA issues SSA 720 (Revised) and its related conforming amendments

On 25 November 2015, the Institute of Singapore Chartered Accountants (ISCA) issued Singapore Standard on Auditing (SSA) 720 (Revised) *The Auditor's Responsibilities Relating to Other Information*, which is based on International Standard on Auditing (ISA) 720 (Revised) by the same name issued by the International Auditing and Assurance Standards Board (IAASB). It deals with the auditor's responsibilities relating to other information (OI).

In recent years, there have been significant developments in corporate reporting, as well as the importance ascribed by users to the information in annual reports beyond the audited financial statements and the auditor's report thereon. Hence, the IAASB sought to undertake this project to revise ISA 720 to ensure that it remains relevant in the context of today's financial reporting environment.

The key changes from the extant standard are:

- Broadening and clarifying the scope of OI by linking it to the concept of an "annual report";

- Instituting transparency by requiring reporting on the auditor's work relating to OI in the auditor's report of listed entities, and conditional reporting for non-listed entities;

- Enhancing the clarity and expanding the auditor's work effort with respect to OI in the following areas:
    - Obtaining OI from management in a timely manner;
    - Reading and considering whether there is material inconsistency between OI and (1) the financial statements; and (2) the auditor's knowledge obtained in the audit;
    - Responding when a material inconsistency appears to exist or OI appears to be materially misstated;

- Responding when the auditor concludes that a material misstatement of OI exists; and
- Responding when a material misstatement in the financial statements exists or when the auditor's understanding of the entity and its environment needs to be updated.

- Providing new application and other explanatory materials to illustrate how certain requirements may be applied, including the procedures the auditor may perform and considerations to be made when the auditor considers the existence of material inconsistencies;
- Prescribing the contents of the OI section in the auditor's report when reporting is required; and
- Providing illustrative examples to show how reporting on OI may be done in various circumstances.

SSA 720 (Revised) and its related conforming amendments are effective for audits of financial statements for periods ending on or after 15 December 2016, in line with the effective date for the new and revised auditor reporting standards.

To access a copy of SSA 720 (Revised), please visit the following URL: http://ow.ly/VKcMB

2.2 ISCA amends Appendix 3 of AGS 1

On 2 December 2015, ISCA announced that it had amended Appendix 3 of Audit Guidance Statement (AGS) 1 *Sample Independent Auditors' Report.*

AGS 1 is a compilation of commonly used sample reports. Specifically this revision deals with the reports issued under the Singapore Standard on Assurance Engagement (SSAE) 3000 framework.

SSAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which was recently revised in May 2015, is effective for assurance reports dated on or after 15 December 2015. Necessary changes have been made to Appendix 3 of AGS 1 to incorporate the changes arising from the revised SSAE 3000. The revised reports have also been discussed with the relevant regulatory bodies.

The amended sample independent assurance reports in Appendix 3 are effective for assurance reports dated on or after 15 December 2015.

Please visit the following URL for a copy of the amended AGS 1: http://ow.ly/VKcPq

3. Ethics

ACRA issues Guide For Companies Limited By Guarantee Concerning Money Laundering And Terrorism Financing

To ensure that companies limited by guarantee (CLGs) which are non-profit organisations (NPOs) are not being abused by terrorist organisations for terrorism financing or even possibly money laundering, ACRA announced on 6 November 2015 that it has published a guide which provides information on the various risks that they may face and includes examples that they may adopt to help them to identify and manage their exposure to such risks. CLGs which are not NPOs may still find this guide useful in the course of their business operations.

A softcopy of the guide is available on ACRA's website as follows: http://ow.ly/VKcRD

4. Regulatory & Business

4.1 Phase 2 of the Companies (Amendment) Act 2014 including changes to certain fee structures to take effect on 3 Jan 2016

On 5 November 2015, ACRA announced that Phase 2 of the Companies (Amendment) Act 2014 will take effect on 3 January 2016. This is in tandem with the launch of ACRA's newly revamped online business filing and information portal. In the week prior to its launch (26 December 2015 to 2 January 2016), ACRA's current online business filing and information portal ("BizFile") will undergo system migration and will not be available.

ACRA also announced that the simplified regulatory fee structure that it had previously announced in October 2014 will also take effect on 3 January 2016. With the streamlining of the current regulatory fee structure, some businesses can expect a slight increase in their annual fees while over a hundred ad hoc transactions previously charged under a pay-per-use model, will be made free of charge.

Also, ACRA announced that the new Business Names Registration Act ("BNRA") which will replace the current Business Registration Act will take effect on 3 Jan 2016.

The details on the above matters can be found in the annexes at the following URL: http://ow.ly/VKcTN

Summary of the contents of the above annexes are as follows:

- Annex A- List of BizFile transactions that are unavailable from 22 Dec 2015 to 2 Jan 2016
- Annex B- List of key legislative amendments in the Companies (Amendment) Act 2014 to be implemented in Phase 2
- Annex C- Details of the revised regulatory fees structure
- Annex D- List of key legislative provisions in the Business Names Registration Act

4.2 ACRA implements stepped up enforcement actions for breach of statutory requirements on AGMs and AR filings

ACRA has also implemented stepped up enforcement actions for breaching the statutory requirements to hold Annual General Meeting (AGM) and to file Annual Return (AR) under the Companies Act. The following are 3 key statutory requirements that companies and directors are prone to breaching:

a. A company must hold its AGM every calendar year and not more than 15 months from the previous AGM. If the company is newly incorporated, it has to hold its AGM within 18 months from its date of incorporation.
b. After a company has held its AGM, it has to file the Annual Return within 1 month online via Bizfile, ACRA's online filing and information retrieval system.
c. For non-listed companies, the financial statements laid at the AGM must not be more than 6 months old. For listed companies, the financial statements laid at the AGM must not be more than 4 months old.

With effect from 1 December 2015, ACRA has implementedt:

a. A flat penalty of $300 for the late filing of AR regardless of the length of default
b. A composition sum of $300 for holding the AGM late
c. A composition sum of $300 for layout out-of-date financial statements at the AGM
If ACRA decides to take enforcement action for the company's failure to hold an AGM and/or failure to file AR, a new 3-tier composition regime which took effect from 2 November 2015 will be applied to

Other enforcement changes effective from 2016 for certain actions, breaches or default of the Companies Act include the following:

a. Disqualification of directors
b. Debarment of director or company secretary

More information is available at the ACRA website.

5. Taxation

5.1 GST – Assisted Self-help Kit (ASK)

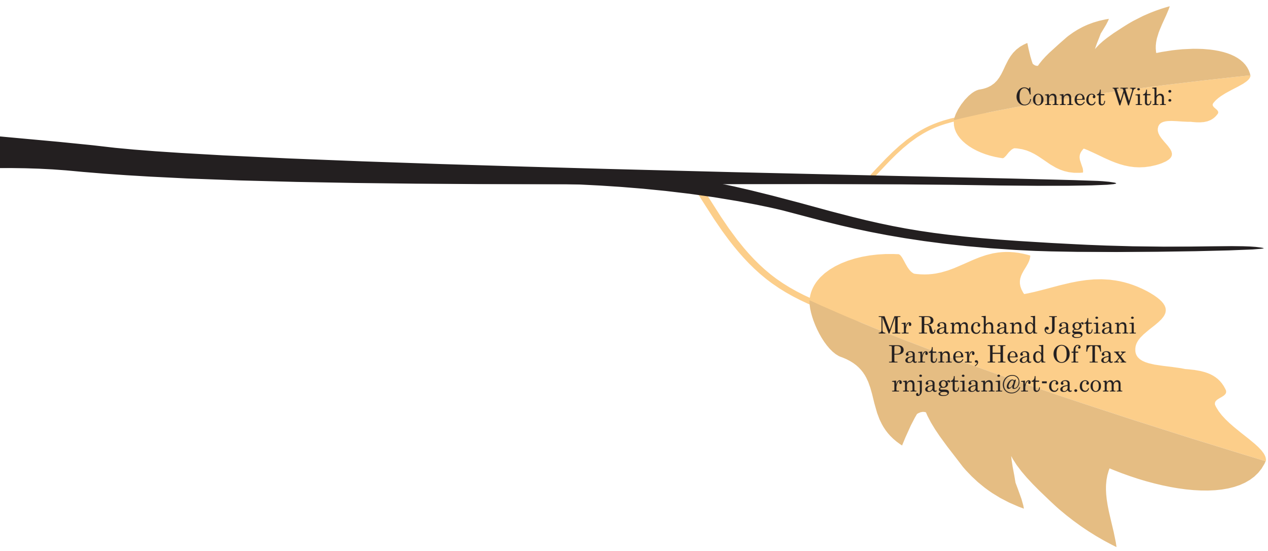
IRAS requires GST-registered businesses that want to apply for or renew their application for GST schemes like the Major Exporter Scheme (MES) to undertake an "Assisted Self-help Kit" (ASK) review as a requirement for application or renewal.

The ASK is essentially a self-assessment package designed to facilitate voluntary compliance of GST-registered businesses. The ASK review can be undertaken by any GST-registered business on a voluntary basis as well.

5.2 GST – Assisted Compliance Assurance Programme (ACAP)

The Assisted Compliance Assurance Programme or ACAP, is a compliance initiative for businesses that set up a robust GST Control Framework as part of good corporate governance.

Although this programme is suited for businesses that have complex structures and business models, large volumes, emphasis on tax risk management and reliance on extensive in-built controls in their systems and processes to generate timely and accurate data for financial and tax reporting, other businesses may also, on a voluntary basis, conduct a holistic risk-based review to endorse the effectiveness of their GST controls. A structure and a visible function properly set up to evaluate the impact of GST on the business transactions ensures the completeness and accuracy of GST reporting and hence a reduced risk of non-compliance with GST law.



Events

SIT Communication Skit Presentation

Business Management Excellence Awards 2015

RT Annual Luncheon cum Christmas Celebration

From left to right

Mr Ramchand Jagtiani – Partner, Head of Tax
Mr Andrew Chua – Technical Partner
Mr Ravi Arumugam – Managing Partner & CEO
Ms Yvonne Au – Partner (Audit & Assurance)

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