Issue 2013/07

LTC Newsletter July 2013

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Quality First



Part 1: Financial Reporting

1.1 IASB issues revised proposals for accounting for Insurance Contracts (ED/2013/7)

On 20 June 2013, the International Accounting Standards Board (IASB) published for public comment a revised Exposure Draft of proposals for the accounting for Insurance Contracts. The Exposure Draft builds upon proposals published in 2010, and reflects feedback received during the extensive public consultation period that followed the publication of those proposals.

The revised proposals aim to provide a consistent basis for accounting for insurance contracts and to make it easier for users of financial statements to understand how insurance contracts affect an entity's financial position, financial performance and cash flows. While the model presented in the 2010 Exposure Draft was broadly supported, some specific issues were raised that the IASB has sought to address. The revised proposals respond to those issues by introducing enhancements to the presentation and measurement of insurance contracts while seeking to minimise artificial accounting volatility.

When the IASB began its work in 2001, there was no Standard on Insurance Contracts in the International Accounting Standards (IAS). In preparation for the adoption of International Financial Reporting Standards (IFRS) by the European Union and others in 2005, the IASB introduced an interim standard (IFRS 4) until a more comprehensive review of the accounting for insurance contracts could be completed. The first phase of that comprehensive review began in 2007 with the publication of a Discussion Paper followed by an Exposure Draft that was published for public comment in 2010.

The revised Exposure Draft sets out in full the proposals for the accounting for insurance contracts. However, respondents are asked for comments on the key areas that the IASB has changed as a result of the responses it received to the 2010 Exposure Draft.

The revised Exposure Draft is available for comment until 25 October 2013. A high level 'Snapshot' summary of the proposals and the full revised Exposure Draft are available here.

1.2 IASB issues ED/2013/8 *Agriculture: Bearer Plants* (Proposed amendments to IAS 16 and IAS 41)

On 26 June 2013, the IASB published for public comment an ED of proposals to include bearer plants within the scope of IAS 16 *Property, Plant and Equipment.*

Bearer plants are a class of biological assets that, once mature, are held by an entity solely to grow produce over their productive life. Examples include grape vines, rubber trees and oil palms.

IAS 41 *Agriculture* requires all biological assets that are related to agricultural activity, including bearer plants, to be measured at fair value less costs to sell. This requirement is based on the principle that biological transformation is best reflected by fair value measurement.

However, once mature, bearer plants no longer undergo significant biological transformation. Furthermore, their operation is similar to that of manufacturing. Consequently, the Exposure Draft proposes that bearer plants are accounted for by IAS 16 instead of IAS 41, thus permitting the use of either a cost model or a revaluation model. The produce growing on the bearer plants would remain under the fair value model in IAS 41.

The proposals are open for comment until 28 October 2013. To access a copy of the ED, please refer to here.



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1.3 IASB publishes narrow-scope amendments to IAS 39 *Financial Instruments: Recognition and Measurement*

On 27 June 2013, the IASB published narrow-scope amendments to IAS 39 *Financial Instruments: Recognition and Measurement* entitled *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39).

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in IFRS 9 *Financial Instruments.*

This amendment is effective for annual periods beginning on or after 1 January 2014. Please click here for more information.

Part 2: Auditing and Assurance and Ethics

2.1 Change of name of ICPAS to ISCA and consequent changes to ICPAS' pronouncements

At the Annual General Meeting of the Institute of Certified Public Accountants of Singapore (ICPAS) held on 27 April 2013, the renaming of ICPAS to the Institute of Singapore Chartered Accountants (ISCA) was approved. The new name and logo of ISCA was unveiled on 2 July 2013 at the Singapore Accountancy Convention 2013 and Golden Jubilee Dinner by Mr Tharman Shanmugaratnam, Deputy Prime Minister and Minister for Finance, and Dr Tony Tan Keng Yam, President of the Republic of Singapore.

Also, in tandem with the above, the Chartered Accountant of Singapore (CA (Singapore)) professional designation replaces the Certified Public Accountant (CPA) Singapore professional designation. With the conferment of the new CA (Singapore) designation, CPA Singapore designation holders are grandfathered to the new CA (Singapore) designation on 2 July 2013.

The key impacts of the above changes are as follows:

- All the pronouncements issued by ICPAS have been amended to make references to ISCA instead of ICPAS; and
- The signing convention in the reports of the relevant standards (eg. Independent auditor's report, review report, assurance report and report of factual findings) as illustrated in the example reports in the relevant standards, are also amended with effect from 2 July 2013.

  Both the term "public accountant" as defined in the Accountants Act and the "chartered accountant" designation should be included in the signing convention, as a Chartered Accountant of Singapore might not necessarily be a public accountant as defined in the Accountants Act. The revised signing convention is as follows:

  _____ (Firm)
  Public Accountants and
  Chartered Accountants
  Singapore
  _____ (Date)

Other than the above amendments, no other changes have been made by ISCA.



2.2 ISCA issues AUP Template for incentives administered by the EDB

ISCA has worked with the Singapore Economic Development Board (EDB) to develop an Agreed-Upon Procedures Report Template (AUP Template) for purposes of submission by external auditors in respect of incentives administered by the EDB, where required.

The AUP Template sets out the agreed-upon procedures which auditors are required to perform when engaged to review statuses of incentive conditions concerning Total Business Expenditure or Total Business Spending, Fixed Asset Investment and Employment. It comprises the format for the External Auditor's Statement and terms of reference for the external auditor.

The AUP Template has been prepared based on the Singapore Standard on Related Services (SSRS) 4400 and with reference to Appendix 5A of the Audit Guidance Statement 1 (AGS 1). To access the template, please click here.

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Part 3: Taxation

The Singapore Institute of Accredited Tax Professionals (SIATP) has issued the following Tax Alerts on its website (http://www.siatp.org.sg/index.php/tax-news) since the previous issue of our LTC Newsletter (2013/6):

- How to Claim Land Intensification Allowance (17 June 2013) [Read more]
- How to Claim Foreign Tax Credit (17 June 2013) [Read more]
- Updated Form C / Form C-S (17 June 2013) [Read more]
- Parent Relief
  - ⇒ IRAS Seeks Public Feedback on Parent Relief (13 June 2013) [Read more]
  - ⇒ How Parent Relief Should be Allowed (13 June 2013) [Read more]
- What Documents Need to be Prepared and Filed when Completing the Income Tax Return (10 June 2013) [Read more]
- Updates on Waiver of Withholding Tax (6 June 2013)
  - ⇒ Payments Made to Singapore Branches of Non-Resident Companies that Have Been Granted Waiver [Read more]
  - ⇒ Application for Non-Bank Applicants Only [Read more]
  - ⇒ Application for Singapore Branches of Non-Resident Banks, Insurers and Re-insurers Only [Read more]
- Tax Treatment for Renovation and Refurbishment Expenses (6 June 2013)
  - ⇒ Section 14Q - Claiming of Tax Deduction [Read more]
  - ⇒ Revised e-Tax Guide [Read more]
- Updates on Form C-S (3 June 2013)
  - ⇒ e-File Form C-S for YA 2013 to Enjoy a Range of Benefits [Read more]
  - ⇒ Guide on e -Filing [Read more]
  - ⇒ Filing Form C-S [Read more]
  - ⇒ FAQs [Read more]
- GST: Recovering Expenses (Re-billing) (31 May 2013) [Read more]
- FAQs on PIC Bonus (31 May 2013) [Read more]
- New GST e-Tax Guide on GST treatment for Reimbursement and Disbursement of Expenses (31 May 2013) [Read more]
- Revised GST eTax Guide on Do I Need to Register for GST? (Eighth Edition) (31 May 2013) [Read more]

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