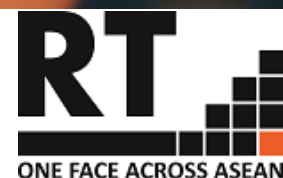


Review Times

November 2015



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Financial Reporting

1.1 IFRS Interpretations Committee proposes two new Interpretations

On 21 October 2015, the IFRS Interpretations Committee ('Interpretations Committee') published for public comment, two proposed Interpretations of Standards which are designed to address diversity in how the Standards are applied in practice. One gives guidance on how uncertainty over income tax treatments should affect the accounting for income taxes and the other addresses which exchange rate should be used to report foreign currency transactions when payment is made or received in advance.

Interpretations form part of the authoritative International Financial Reporting Standards (IFRS) requirements. They are developed by the Interpretations Committee, which works with the International Accounting Standards Board (IASB) to provide guidance on specific implementation issues, helping those using IFRS and supporting consistency in application.

Uncertainty over income tax treatments

IAS 12 *Income Taxes* provides requirements on the recognition and measurement of current or deferred tax liabilities or assets, but does not provide specific guidance for how uncertainty about a tax treatment should be reflected in the accounting for income tax. Consequently, the Interpretations Committee proposes an Interpretation to provide that guidance.

Foreign currency transactions and advance consideration

IAS 21 *The Effects of Changes in Foreign Exchange Rates* sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in the entity's functional currency. However, the Interpretations Committee observed diversity in practice in circumstances in which consideration was received or paid in advance of the recognition of the related asset, expense or income. Consequently, the Interpretations Committee proposes an Interpretation to provide guidance in these specific circumstances.

Both proposed Interpretations are open for public comment until 19 January 2016.

The draft Interpretation *Uncertainty over Income Tax Treatments* can be accessed at the following link: <http://ow.ly/UWOUq>

The draft Interpretation *Foreign Currency Transactions and Advance Consideration* can be accessed at the following link: <http://ow.ly/UWOXF>

1.2 IASB publishes draft guidance to help management apply the concept of materiality

On 28 October 2015, the International Accounting Standards Board (IASB) published a draft guidance to help company management determine whether information is material. The guidance is part of the IASB's wider initiative to improve disclosures.

The concept of materiality acts as a filter through which management sifts information to ensure that financial statements include all the financial information that could influence users' investment decisions. It also enables management to present material information in a clear and effective way, excluding information that is not material.

The draft guidance, in the form of a draft Practice Statement, has been developed in response to concerns that management are often uncertain about how to apply the concept of materiality and therefore use the disclosure requirements in the Standards as a checklist. This can result in excessive disclosure of immaterial information that can obscure useful information, and also make financial statements cluttered and less understandable. It can also lead to useful information being left out.

Whether information is material or not depends on a range of factors, entity-specific circumstances and is subjected to a matter of judgement. Determining what information is material also requires an understanding of the users of the financial statements and the decisions that they make based on those financial statements.

The Practice Statement should help guide management's judgement, encouraging them to remove repetitive and uninformative wording and improve the overall quality of financial statements.

Improving the quality and quantity of disclosures requires joint efforts by auditors, regulators, companies and standard-setters. The IASB has therefore consulted with the International Auditing and Assurance Standards Board (IAASB) and the International Organization of Securities Commissions (IOSCO) during the development of the draft Practice Statement.

The draft guidance on materiality complements an amendment made to IAS 1 *Presentation of Financial Statements* by the IASB in 2014, which clarified that companies do not need to apply the specific disclosure requirements in Standards if the related information is not material. It also specified that an entity should consider whether to provide additional disclosures when compliance with the specific requirements would be insufficient in disclosing material information.

Note however that a Practice Statement is non-mandatory guidance, consisting of a series of examples and explanations to help management. So far, the IASB has only issued one Practice Statement. The subject of that Practice Statement is *Management Commentary*.

The deadline for submitting comments on this draft Practice Statement is 26 February 2016. The Practice Statement can be accessed at the following link: <http://ow.ly/UXzlr>

Assurance & Auditing

2.1 ACRA introduces AQI Framework

On 14 October 2015, the Accounting and Corporate Regulatory Authority (ACRA) introduced an Audit Quality Indicators (AQIs) Disclosure Framework to further raise the quality of audits on financial statements in Singapore. The Big-Four audit firms have collectively agreed to provide audit committees of listed companies with a set of comparable indicators on the auditors' ability and commitment to deliver quality audits.

For further details, please visit ACRA's website at the following URL: <http://ow.ly/UWPS8>

2.2 ISCA withdraws AGS 2

On 16 October 2015, the Institute of Singapore Chartered Accountants (ISCA) announced that it has withdrawn Audit Guidance Statement (AGS) 2 *Verification of Debtor Balances – Confirmation by Direct Communication* with immediate effect.

AGS 2 provides guidance on the principles underlying the verification of debtor balances by direct communication. As part of the exercise to review the current AGSs to ensure that they remain relevant to the audit profession, the Auditing and Assurance Standards Committee of ISCA has reviewed AGS 2, and compared the guidance in AGS 2 with Singapore Standard on Auditing (SSA) 505, External Confirmations.

AGS 2 was last revised in 2006 and ISCA has withdrawn AGS 2 with immediate effect on the basis that:

- a) There were no major differences between SSA 505 and AGS 2;
- b) The auditing principles in SSA 505 were adequate to effectively perform audit procedures in relation to external confirmations of debtor balances; and
- c) There was no perceived value-add in retaining AGS 2.

Ethics

ISCA issues AML/CFT Implementation Guidance on EP 200

In October 2014, the Institute of Singapore Chartered Accountants (ISCA) issued Ethics Pronouncement (EP) 200, "Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore" ("Pronouncement"). The Pronouncement is effective from 1 November 2014, except for certain sections which came into effect on 1 May 2015.

On 3 November 2015, to assist the accountancy profession in implementing the requirements of EP 200, ISCA has developed the "EP 200 Implementation Guidance (IG) 1- Frequently Asked Questions" and "IG 2 – Illustrative Customer Due Diligence Templates". The IGs can be downloaded from the following URL of ISCA:

<http://ow.ly/UWQ1s>

Public Accountants should also visit ACRA's website at the following URL for anti-money laundering and counter-financing of terrorism resources: <http://ow.ly/UWQcR>

Taxation

Withholding Tax or WHT

Singapore companies and other entities and persons in Singapore that pay certain types of income to non-resident individuals or corporations are required to withhold tax on such payments and pay the amount withheld to IRAS.

Examples of these include interest on loans and rentals from movable property that are subject to WHT at the rate of 15%, royalty payments that are subject to WHT at the rate of 10% and technical assistance and management fees for services rendered in Singapore that are taxed at the prevailing corporate rate. Treaty benefits may provide some reduction or exemption in some cases.



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ICAEW Gala Dinner