

REVIEW TIMES

APRIL 2018



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Technical Updates

RT brings to you the latest Technical Updates on Audit and Assurance, Financial Reporting, Business Regulation and Ethics in Singapore and other global regulatory bodies and their implications thereof.

Prepared & Written By: Andrew Chua



1. FINANCIAL REPORTING

(INTERNATIONAL)

1.1 IASB issues revisions to its Conceptual Framework for Financial Reporting

On 29 March 2018, the International Accounting Standards Board (IASB) issued a revised version of its *Conceptual Framework for Financial Reporting* that underpins IFRS Standards.

The *Conceptual Framework* sets out the fundamental concepts of financial reporting that guide the IASB in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, providing useful information for investors and others.

The *Conceptual Framework* also assists entities in developing accounting policies when no IFRS Standard applies to a particular transaction; and it helps stakeholders more broadly to understand the Standards better.

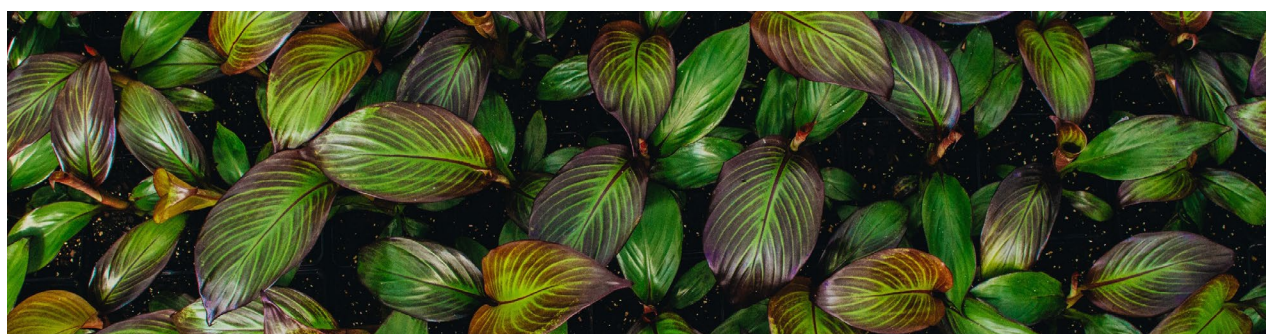
The revised *Conceptual Framework* includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the

roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB has also issued *Amendments to References to the Conceptual Framework in IFRS Standards* to update references in IFRS Standards to previous versions of the *Conceptual Framework*.

The IASB will start using the revised *Conceptual Framework* immediately, whereas entities will use it from 2020.

For more information, please go to the following URL: <https://bit.ly/2q1fhoe>



1.2 IASB issues exposure draft on proposed narrow-scope amendments to IAS 8

On 27 March 2018, the IASB published an exposure draft (ED) on proposed narrow-scope amendments to International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

IAS 8 sets out the criteria for selecting and changing accounting policies. Entities change an accounting policy either as a result of new requirements in IFRS Standards or when the change would provide better information for users of financial statements. When an entity changes an accounting policy, it is currently required to apply the new policy as if it had always applied that policy (i.e. retrospectively), unless it is not practicable to do so.

Entities may decide to change an accounting policy because of an agenda decision published by the IFRS Interpretations Committee. Agenda decisions explain why the IFRS Interpretations Committee concludes that there is no need to amend or add to requirements in IFRS Standards after considering an application question. Agenda decisions are non-authoritative but often contain helpful explanatory information about how to apply IFRS Standards.

The IASB is proposing that in deciding how far back to go in applying a change in accounting policy that results from an agenda decision, an entity will consider not only whether it is practicable but also the benefits to users, and costs to the entity, of making the change.

The aim of the proposed amendments to IAS 8 is to promote greater consistency in the application of IFRS Standards, reduce the burden on entities when they change an accounting policy as a result of an agenda decision and, thus, improve the overall quality of financial reporting.

The comment deadline for the ED is 27 July 2018.

To access the ED (Accounting policy changes (*Proposed amendments to IAS 8*), please go to the following URL: <https://bit.ly/2v276Nb>

2. ETHICS (*INTERNATIONAL*)

2.1 International Ethics Standards Board releases revamped Code of Ethics for Professional Accountants

On 9 April 2018, the International Ethics Standards Board for Accountants (IESBA) released a completely rewritten *Code of Ethics for Professional Accountants* that is easier to navigate, use and enforce.

Renamed the *International Code of Ethics for Professional Accountants (including International Independence Standards)*, the new Code becomes effective in June 2019. It is the culmination of extensive research and global stakeholder consultation. Stakeholders can now access the new Code on the IESBA's website, where implementation resources and other supporting materials will be released throughout the period leading up to the effective date.

Beyond the new structure, the new Code brings together key ethics advances over the past four years, and is clearer about how accountants should deal with ethics and independence issues.

While the fundamental principles of ethics have not changed, major revisions have been made to the unifying conceptual framework—the approach used by all professional accountants to identify, evaluate and address threats to compliance with the fundamental principles and, where applicable, independence.

- Revised “safeguards” provisions better aligned to threats to compliance with the fundamental principles;
- Stronger independence provisions regarding long association of personnel with audit clients;
- New and revised sections dedicated to professional accountants in business (PAIBs) relating to:
 - preparing and presenting information; and
 - pressure to breach the fundamental principles.
- Clear guidance for accountants in public practice that relevant PAIB provisions are applicable to them;
- New guidance to emphasize the importance of understanding facts and circumstances when exercising professional judgment; and
- New guidance to explain how compliance with the fundamental principles supports the exercise of professional skepticism in an audit or other assurance engagements.

For further information, please go to the following URL: <https://bit.ly/2EBUcF6>

3. FINANCIAL REPORTING

(SINGAPORE)

3.1 Singapore ASC issues SFRS(I) 17 and FRS 117

On 29 March 2018, the Singapore Accounting Standards Council (ASC) issued Singapore Financial Reporting Standard (International) [SFRS(I)] 17 Insurance Contracts and Financial Reporting Standard (FRS) 117 *Insurance Contracts*. The two standards are published together with illustrative examples and are effective for annual periods beginning on or after 1 January 2021 but entities can apply them earlier.

SFRS(I) 17 and FRS 117 are identical to International Financial Reporting Standard (IFRS) 17 *Insurance Contracts* issued by the IASB on 18 May 2017.

SFRS(I) 17 comes together with the basis for conclusions on IFRS 17 issued by the IASB.



IFRS 17 is the first truly international standard for insurance contracts that will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 solves the comparison problems created by IFRS 4 *Insurance Contracts* by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements.

Due to the range of accounting methods in use today, some countries will see more significant changes than others with the introduction of the new standard.

Other materials accompanying IFRS 17 are as follows:

- Effects Analysis – which outlines in detail the expected costs and benefits of the new Standard;
- Project Summary – providing an overview of the project to develop the new insurance contracts Standard; and
- Feedback Statement – summarising the feedback received to the different consultations undertaken as part of the project.

All these materials can be accessed via the IFRS 17 project page on the IFRS Foundation's website at the following URL: <https://bit.ly/2rg2Qn3>

3.2 ISCA publishes illustrative financial statements for private entities 2017

The Institute of Singapore Chartered Accountants (ISCA) has issued a set of illustrative financial statements (IFS) of a Singapore-incorporated company, ABC Pte. Ltd., whose financial year end is 31 December 2017, prepared in accordance with Singapore Financial Reporting Standards (SFRS) and the Singapore Companies Act, Chapter 50.

The IFS serve to provide illustration of annual financial statements of companies whose activities include manufacturing and trading. The disclosures contained in these IFS are made based on a hypothetical entity and certain assumptions have been made about the applicability of the disclosures

required by SFRSs.

The IFS are designed to capture a wide set of circumstances and transactions, and in enhancing the relevance of the IFS, all minimum disclosure requirements of SFRSs are complied with, generally without considering materiality. Also, since these IFS are prepared based on a fictitious entity, assessing materiality is not possible in some circumstances. This set of IFS is a helpful enabler for entities preparing financial statements under SFRSs, but its illustrative nature must be appreciated. To access the IFS, please go to the following URL:

<https://bit.ly/2qH0UoF>



4. ETHICS (SINGAPORE)

4.1 ISCA invites comments on exposure draft on proposed changes to certain provisions of EP 100 addressing the long association of personnel with an audit or assurance client

The provisions on long association of senior personnel with an audit or assurance client in Ethics Pronouncement (EP) 100 ("Long Association provisions") deal with familiarity and self-interest threats created when the firm uses the same senior personnel on an audit or assurance engagement over a long period of time.

The proposed changes in the exposure draft (ED) are based on the final proposed amendments to the Long Association provisions issued by the International Ethics Standards Board for Accountants (IESBA) as part of its Long Association Project. The Long Association Project reviews the Long Association provisions to ensure that they continue to provide robust and appropriate safeguards against the familiarity and self-interest threats arising from long association with an audit or assurance client.

The key proposed changes include:

- Increase in the cooling-off period for Engagement Partners (EPs) of public interest entity (PIE) audit clients from 2 years to 5 years;
- Increase in the cooling-off period for Engagement Quality Control Review Partners (EQCRs) of PIEs from 2 years to 3 years;
- Additional restrictions placed on a former key audit partner (KAP), during the cooling-off period, prohibiting him or her from leading or coordinating the firm's professional services to the audit client or overseeing the firm's relationship with the audit client; and
- The former KAP is also prohibited, during the cooling-off period, from undertaking any other role, including provision of non-assurance services, that would result in frequent interaction with senior management or those charged with governance.

The ISCA Ethics Committee (EC) takes a leading role in the development of ethics standards in Singapore to enhance public trust and confidence in the accounting profession in Singapore. Cognisant of the possible impact of the proposed changes in the Long Association provisions, the ISCA EC would hence like to seek views from key stakeholders in Singapore on the questions in the ED.

The comment deadline for the ED is 15 May 2018.

For further information and to access the ED, please go to the following URL: <https://bit.ly/2JDrnvN>



5. REGULATORY & BUSINESS

(SINGAPORE)

5.1 SGX issues consultation paper on Proposed Listing Framework for Dual Class Share Structures



On 28 March 2018, the Singapore Exchange (SGX) issues a consultation paper seeking market feedback on proposed safeguards to address expropriation and entrenchment risks of dual class shares (DCS) following broad support for the structure in an earlier public consultation.

SGX is proposing that DCS companies meet existing Mainboard admission criteria. They must also satisfy the exchange on their suitability to list. Some factors SGX would consider include the role and contribution of the holder of multiple vote (MV) shares, the business model and whether sophisticated investors have participated in the company.

To address expropriation risks, SGX has listed a range of key actions which require shareholders to vote via an enhanced voting process where all shares including MV shares carry one vote each. These actions include the appointment and removal of independent non-executive directors and the winding-up or delisting of the issuer. Independent directors will also make up the majority, including the chair, of the audit committee, the nominating committee and the remuneration committee.

Safeguards against risks of the founders entrenching themselves include allowing each MV share to carry a maximum of 10 votes, and limiting initial holders of MV shares to only directors. SGX is also proposing event-based sunset clauses including requiring MV shares be converted to one-vote (OV) shares once the MV-shareholder ceases to be a director, or sells or transfers the MV shares. Shareholders can choose to do away with these safeguards through the enhanced voting process.

SGX is proposing to clearly mark out DCS stocks on trading screens. DCS companies must prominently identify themselves as such in their prospectuses, annual reports, circulars and announcements.

The consultation is open till 27 April 2018. For more information, please go to the following URL: <https://bit.ly/2vB1nhG>

Viewpoint from RT ASEAN

Our experts from across RT ASEAN are proud to bring you the latest talk and buzz in the Financial, Digital & Legal industry.

SPECIAL CONTRIBUTION

Improving Connectivity Between ASEAN's Legal Systems to Address Commercial Issues

Written By: Professor Locknie Hsu

This report by Singapore Management University (SMU) School of Law gives us a comprehensive look into the challenges and barriers faced by companies trading and investing in the ASEAN region. The report also suggests several practical and actionable policy recommendations to improve business conditions in the region.

To read the full report, please click on the link below:

<https://bit.ly/2JuuPrZ>

The report authors request that no quotation from the report should be made without their written consent. Please send requests to lockniehsu@smu.edu.sg



Locknie Hsu

Professor

School of Law, Singapore Management University (SMU)

Professor Locknie Hsu specialises in international trade and investment law, ASEAN economic integration, FTAs, cross-border dispute settlement, e-commerce and trade facilitation. She has published extensively and has been an invited speaker at numerous international and regional conferences.

Member of the Month

Each month we bring you insights and “behind-the-scene” information of the members of RT ASEAN.



Pierian Services Pvt. Ltd.

Written By: Chetan Venugopal



Pierian's Background

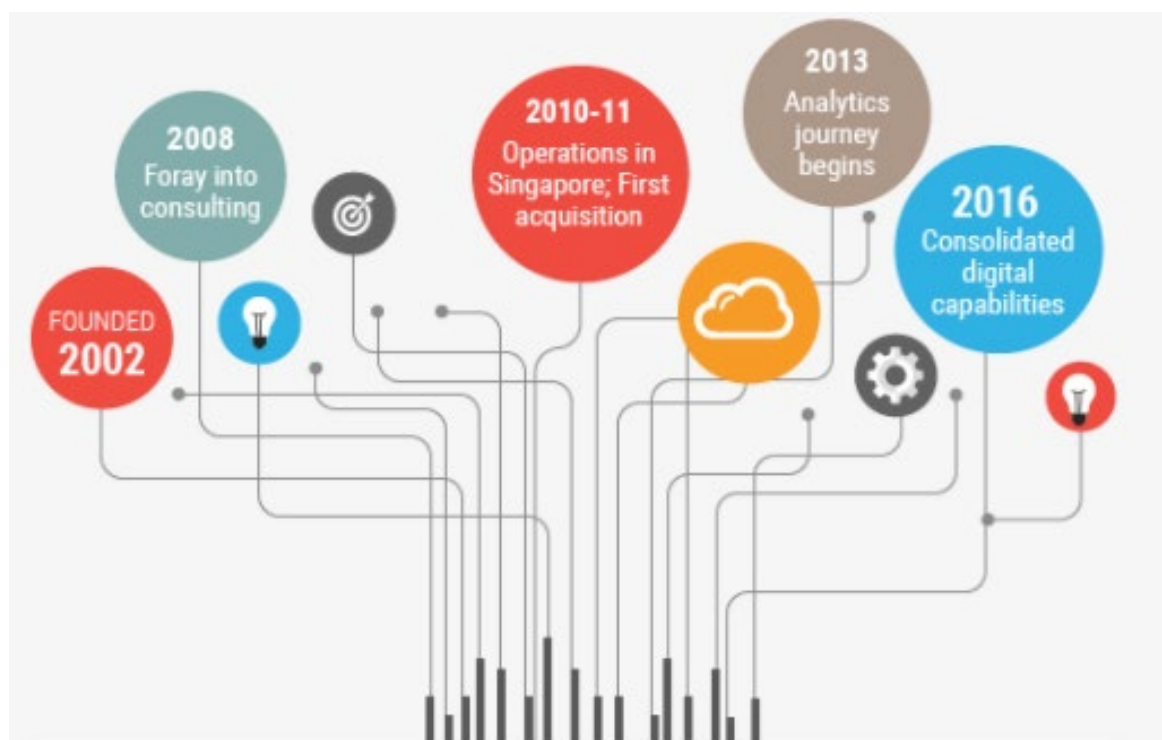
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Chetan Venugopal - Spearheading Pierian

Chetan Venugopal is the Co-Founder and Director of Pierian Services Pvt. Ltd. and Pierian Digital Pvt. Ltd. A Member of the Institute of Chartered Accountants of India – ICAI and certified programs at Indian Institute of Management, Bangalore.

Co-founded Pierian in 2003 and has handled multiple engagements around setting-up and managing shared services, strategy and consulting engagements around business transformations, risk advisory and compliance management in India, Singapore, ME and US.

In 2018, has been appointed as Independent Director of Indian Railways Finance Corporation (IRFC). The objective of IRFC is to mobilize funds for all projects of overseas and Indian Railways.



Chetan Venugopal
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Chetan Venugopal is the Co-Founder and Director - Pierian Services Pvt. Ltd. and Pierian Digital Pvt. Ltd. A Member of the Institute of Chartered Accountants of India – ICAI and certified programs at IIM, Bangalore.

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Professor Locknie Hsu specialises in international trade and investment law, ASEAN economic integration, FTAs, cross-border dispute settlement, e-commerce and trade facilitation. She has published extensively and has been an invited speaker at numerous international and regional conferences.

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