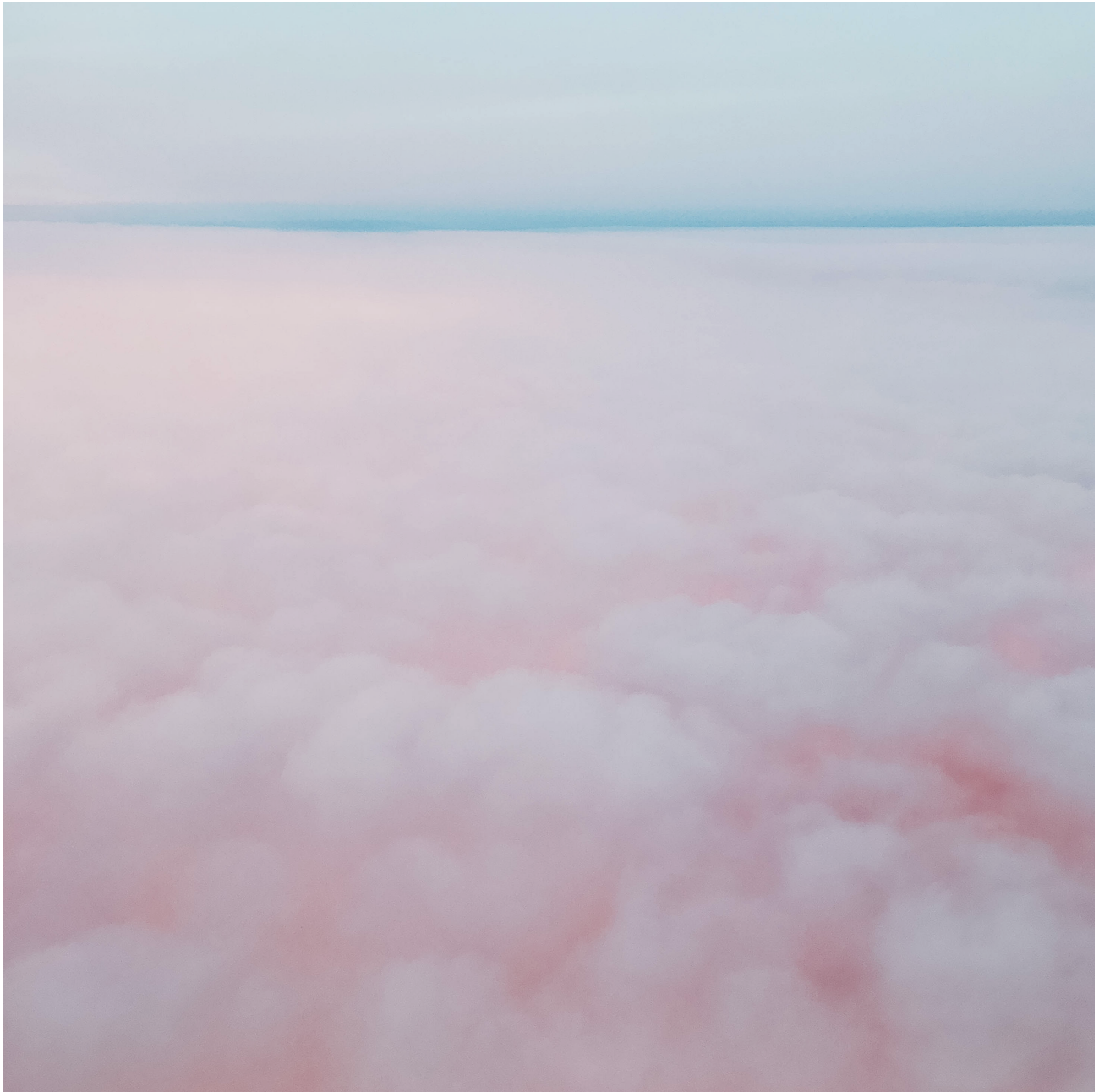


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Technical Updates

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. AUDIT AND ASSURANCE (International)



1.1 IAASB modernizes auditing of accounting estimates in support of audit quality

On 3 October 2018, the International Auditing and Assurance Standards Board (IAASB) released International Standard on Auditing (ISA) 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*.

Banks, insurers and other financial services firms have seen revolutionary changes in their accounting practices as they moved to new financial reporting standards that changed the way they deal with loan provisions and insurance contracts. ISA 540 (Revised) reflects this rapidly evolving business environment and ensures that the standard continues to keep pace with the changing market.

This revised standard is the first to be completed as part of the IAASB's broader program 'Addressing the Fundamental Elements of an Audit' and is an important part of the IAASB's efforts to improve audit quality globally. Some of the significant revisions include:

- An enhanced risk assessment that requires auditors to consider complexity, subjectivity and other inherent risk factors in addition to estimation uncertainty. This will drive auditors to think more deeply about the risks inherent to accounting estimates.
- A closer link between the enhanced risk assessment and the methods, data and assumptions used in making accounting estimates, including the use of complex models.
- Specific material to show how the standard is scalable to all types of accounting estimates.
- Emphasis on the importance of applying appropriate professional skepticism when auditing accounting estimates to foster a more independent and challenging skeptical mindset in auditors.

ISA 540 (Revised) becomes effective for financial statements audits for periods beginning on or after 15 December 2019.

To access ISA 540 (Revised), please go to the following URL:
<https://bit.ly/2No8TAa>

2. AUDIT AND ASSURANCE (Singapore)

2.1 ISCA issues exposure draft on SAP 2 (Revised)

On 21 September 2018, the Institute of Singapore Chartered Accountants (ISCA) announced that it is seeking comments on the exposure draft (ED) of Statement of Auditing Practice (SAP) 2 (Revised) *Auditors and Public Offering Documents*.

SAP 2 (Revised) provides guidance on the auditor's roles and responsibilities when engaged as a professional in a public offering exercise, and general principles governing public offering documents.

The key additions within this ED are the inclusion of a new segment on "Private Reports on Profit Forecasts" and the new illustrative reporting auditor's private report on prospective financial information under Example 6 of Appendix 1. Private reports on profit forecasts are reports that are not prepared for inclusion in a prospectus.

A summary of the key additions are as follows:

- Paragraphs 29 to 30 - Clarifications on the requirements of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 (SFR) where a profit forecast is included in a public offering document (i.e. public reports on profit forecast);
- Paragraphs 34 to 42 - New section on private reports on profit forecasts;
- Additional illustrative example report on a private report on prospective financial information (Appendix 1 Example 6).

ISCA requires all comments to be submitted to core@isca.org.sg by **19 October 2018**.

To access the ED SAP 2 (Revised), please go to the following URL: <https://bit.ly/2yegxs4>



3. FINANCIAL REPORTING (Singapore)

3.1 ASC issues editorial corrections on SFRS(I) Statement on Applicability

On 19 September 2018, the Singapore Accounting Standards Council (ASC) announced that it has issued editorial corrections on the *SFRS(I) Statement on Applicability* and are applicable for annual periods beginning on or after 1 January 2018. The editorial corrections relate to early application of SFRS(I)s in connection with an offer made pursuant to the Securities and Futures Act.

For further information, please go to the following URL: <https://bit.ly/2IY9wT>

4. REGULATORY AND BUSINESS (ASEAN)

4.1 Bursa Malaysia revises sector classification, indices

On 24 September 2018, Bursa Malaysia introduced five new sectors, among other changes, to the stock exchange's sector classification and sectorial indices, aligning its sector classification with internationally recognised standards. The revised sector classification and sectorial indices are effective from 24 September 2018.

The five new sectors and corresponding indices introduced are energy, healthcare, telecommunications & media, transport & logistics and utilities.

Three existing sectors and the corresponding indices are broadened and renamed, including consumer products (renamed consumer products & services), finance (renamed financial services) and industrial products (renamed industrial products & services).

Four sectors are removed, which are hotel, infrastructure project companies, mining and its corresponding index as well as trading/services and its corresponding index.

The new sector classification is intended to ensure that Bursa Malaysia's sectors and sectorial indices continue to appropriately represent the global equity markets, enabling asset owners, asset managers and investment research specialists to make consistent global comparisons by industry.

For example, companies previously under the sector of trading/services, which are too broad based, are now classified under utilities (Tenaga Nasional Berhad), telecommunications & media (Maxis Berhad), and consumer products & services (Genting Berhad).

The new sector classification will also see the introduction of a two-tiered structure, with public listed companies (PLCs) classified within main sectors and subsectors. The consideration used to determine sector classification were revenue streams (taken from the PLCs' audited accounts) as well as the core business, direction and future plans of the PLC. The new classification will allow for better scoping of sector analysis to pinpoint industry investment opportunities, in line with global market trends.

After the revisions, there are 13 sectors, which are broadened to 42 sub-sectors.

The index would be reviewed on a quarterly basis for exclusions and inclusions with the effective date for inclusions or changes in the sectorial index constituents would be on the second Monday of January, April, July and October.

To access the list of companies listed on Bursa Malaysia and their corresponding revised sector classification and sub-sector, please go to the following URL: <https://bit.ly/2yHuC0r>

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.

RT ASEAN AT INTERNATIONAL FEDERATION OF ACCOUNTANTS, FORUM OF FIRMS (IFAC, FOF) IN NEW YORK, OCTOBER 2018



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