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REVIEW TIMES

A BIMONTHLY PUBLICATION BY **RT ASEAN** ON
ALL THINGS FINANCIAL, DIGITAL, AND LEGAL



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From the Singapore desk

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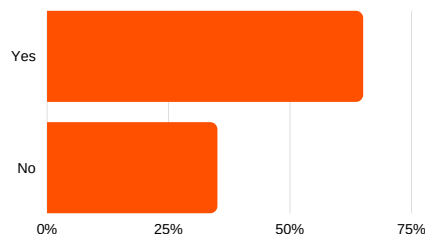
COVID-19 BUSINESS SURVEY

As we are all painfully aware of by now, the COVID-19 pandemic has undoubtedly affected the world in many ways since its emergence in 2019. From a shift in our daily habits to the crashing of stock markets and national economies, this crisis has certainly affected the livelihoods of many and could possibly change the way we live and work forever. As the catastrophe continues to take a toll on businesses and the economy, how have firms been affected and how aware are they of the solutions made available to them?

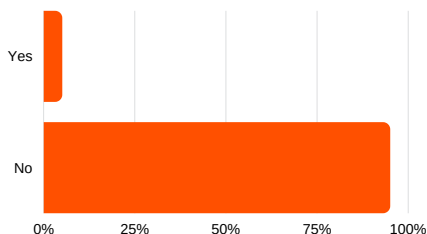
Categorised into three different segments, *Cashflow and Financing*, *Going Digital*, and *Legal matters*, we asked some of our clients and collated the following results:

CASHFLOW & FINANCING

Has your firm's cashflow and financing been impacted by COVID-19?



Do you currently use SME working capital financing schemes from local banks at preferential rate?

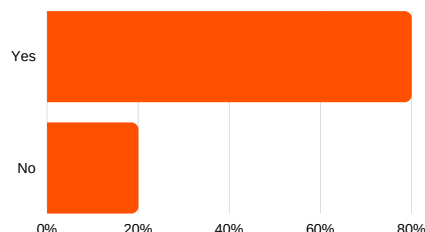


RT ASEAN COVID-19 Business survey on cashflow and financing.

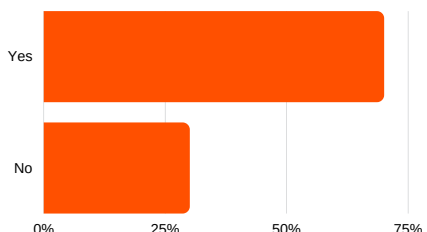
While a majority of firms' cashflow and financing have been impacted, most have not adopted any SME working capital financing schemes from local banks at preferential rates. It is critical for businesses to explore short-term financing options in preparation for any further impact to their financial operations.

GOING DIGITAL

Has your firm explored digital solutions to overcome restrictions on physical operations caused by COVID-19?



Are you familiar with Government grants of up to 90% to fund digital solutions such as e-commerce, procurement, inventory management and HR management etc?

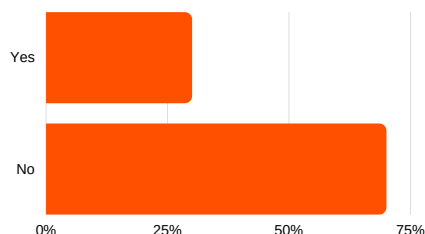


RT ASEAN COVID-19 Business survey on going digital.

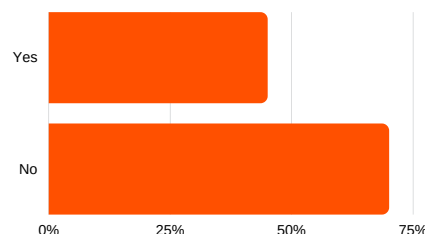
A majority of firms have explored digital solutions to overcome restrictions on physical operations and most are familiar with the government grants available to fund digital solutions such as procurement and inventory management. Do consider exploring digital solutions that may help to create alternative sources of revenues or business models and may also help to overcome operational constraints under the current pandemic.

LEGAL MATTERS

Has your firm's contractual obligations to suppliers and from customers been affected?



Are you familiar with the temporary reliefs for companies who are unable to perform their contractual obligations under the COVID-19 (Temporary Measures) Bill?

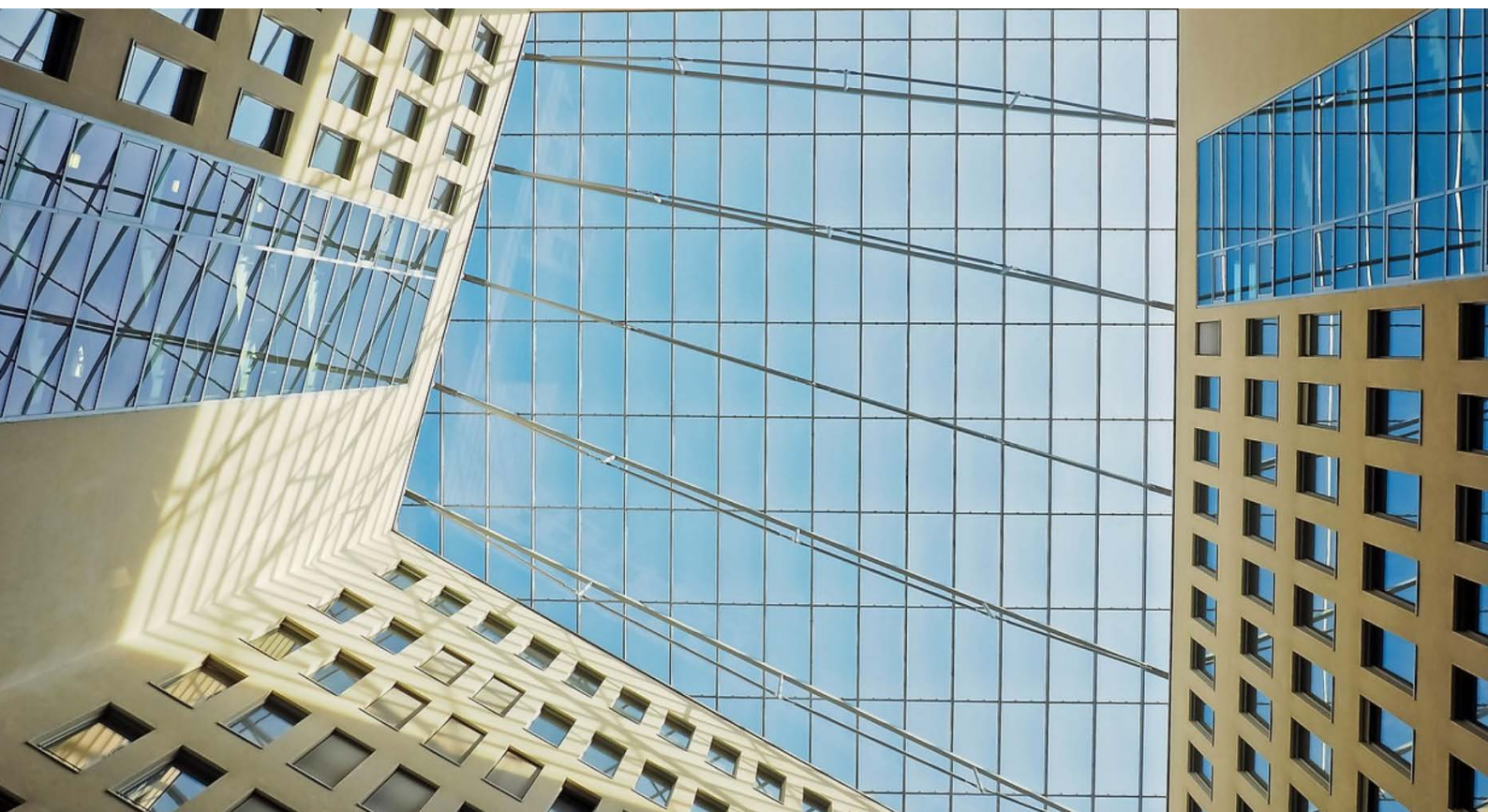


RT ASEAN COVID-19 Business survey on legal matters.

Though a majority of firms' contractual obligations to suppliers and from customers have not been affected, most are not familiar with the temporary reliefs available for companies who are unable to perform their contractual obligations under the COVID-19 (Temporary measures) bill. It is important to understand how the bill affects your contractual obligations and the implications on your operations.

As presented in these findings, a majority of businesses have been affected by the pandemic in one way or another. Companies must rise to these challenges quickly and be prepared for any potential implications that may arise in the weeks, months, or even years to come. Forecasting and operational adaptability is now more crucial than ever for a company's survival during this unprecedented time.

If you have any questions about the survey or would like to seek advice on how to manage your business during this time, please contact us at info@rtasean.com.



5 TIPS ON MANAGING CASH FLOW AND FINANCING DURING THE COVID-19 PANDEMIC

Effective cash flow management and financing are one of the most important determining elements of a company's future and viability. Weak cash controls and financing could easily lead to a downfall of a business, resulting in unnecessary capital losses or in worse cases, bankruptcy. With the ongoing financial crisis happening today, it is especially crucial for businesses to constantly reassess their cash flow and financing standing, and tailor their strategies according to their current needs as we continue to ride the volatile waves of the pandemic at hand.



Tip #1 – Cut costs

Desperate times calls for desperate measures. In a time of uncertainty, every single cash outflow counts for something large. Companies should take this time to review their finances in detail, identify areas in which a cost can be eliminated, replaced, or have any course of action taken towards managing a lower cost incurrence.

• Reduce variable costs

To begin with, companies may wish to first review and reduce their variable costs as they are often easier and quicker to resolve as compared to fixed costs. For example, if your company is paying a monthly subscription to a software that another brand is offering at a lower cost with the same required functions, consider switching your software to the cheaper option. The difference may or may not be large but would amount to be significant in the long run. Aside to that, companies may also consider freezing new hires or holding off bonuses and promotions and seek alternate ways to incentivise employees.

• Maximize support

Governments around the world have stepped in to provide assistance to businesses in efforts to help them weather the current economic downturn. From waiving tax impositions, providing discounted operational solutions, to funding a part of employees' salaries, the scale of support that has been rendered is vast. Companies should leverage on these opportunities and ensure that they have adopted all relevant eligible resources and measures that are available to keep their costs to a minimum.

• Request for extensions on payables

Requesting for extensions on payments owed to landlords, suppliers, or vendors should only be considered as one of the last resorts when other options have been exhausted. Companies do not want to risk souring any relations or hindering their operations especially if its business model depends heavily on the other party. Thus, upon realizing that your company is likely to delve into serious cashflow issues, make it a point to sought out your supplier or vendor early and have a discussion on what could be done such that both parties are in amicable agreement.

Tip #2 – Managing accounts receivable

The adverse effects of the pandemic is a calamity that both people and businesses all around the world are suffering from. Similar to you, they are also looking into ways to save costs and ensure preservation of their company's future – albeit some more than others. Therefore, it is vital for companies to understand and factor in any potential financial risks that their customers may be facing and relook at how their receivables are being managed during this time. Companies could start by securing the fundamental processes such as issuing invoices on time and accurately, and exploring more efficient payment collection methods.

Tip #3 – Review current financing avenues

During pivotal times like these, it is helpful to review your company's current financing avenues to ensure its feasibility and sufficiency. As the global economy continues to shift along with its demands, it is likely that your company's financing sources and requirements will too. Reassess your company's current, short-term, and long-term financing needs and determine if your current plans would continue to be viable. Reach out to your financing partners to make sure that there are no credit issues on their end and explore and employ better, additional, or alternate funding options where required.

Tip #4 – Communicate clearly, effectively, and honestly

Clear, effective, and honest communication is key in successful planning. Whether it is managing your company's cashflow or other areas, it needs to be conveyed clearly so that all parties involved would be aware of the different strategies being adopted and be able to contribute productively in fulfilling those metrics. It is also important for companies not to sugar-coat its current plight and be as transparent and honest as possible on what needs to be done. Empowering and roping in the key stakeholders of your company on your plans is perhaps one of the most important steps in keep your company afloat. Without their collective help, your company may risk falling deeper into a financial crisis.

Tip #5 – Seek professional advice

Making important financial decisions during uncertain times like these could make or break your firm. As can be observed from the points above, there are indeed various and more ways available in managing your company's cashflow and financing. Due to differing factors such as the diverse nature of businesses and their current financial standings, what may work for one firm may not work for another. Therefore, to minimize the possibility of implementing the incorrect strategies, consider seeking professional advice from experts in this area of field for support and guidance. These firms would often have in hand the best and latest resources and connections to help you manage the specific challenges that you face and meet your business goals.

The future economic conditions are highly unpredictable and volatile. As countries across the world report a second wave of COVID-19 cases, companies must prepare themselves to face all possible scenarios that may happen over the next few months or even years to come; and to not take anything for granted.

RT ASEAN is a multi-disciplinary management consulting firm that provides business advisory on managing companies' cash flow and financing. If you have any questions on the tips above or would like to seek our advice, please contact us at info@rtasean.com.

SINGAPORE'S COVID-19 (TEMPORARY MEASURES) BILL 2020 | KEY POINTS TO NOTE

“In this market, we cannot say 'leave it to the market, leave it to the contractual situation'...the normal assumptions of business are gone.”- Minister for Law K Shanmugam SC, Singapore, on the COVID-19 (Temporary Measures) Bill during the second reading of the Bill in Parliament.

(Source credit: Mediacorp, CNA)

The Ministry of Law (‘Minlaw’), Singapore, has recently introduced a new act called the COVID-19 (Temporary Measures) Act 2020 which aims to provide temporary relief to both businesses and individuals who are unable to perform their contractual obligations due to the ramifications of the COVID-19 pandemic. The act was later further amended to include new and enhanced reliefs such as a rental relief framework for Small and Medium Enterprises (SMEs) and a cap on late payment interest or charges for specific contracts. Termed as the COVID-19 (Temporary Measures) (Amendment) Bill 2020, it intends to render additional support to businesses and individuals during this difficult time.

KEY POINTS TO NOTE ON THE RELIEF FOR CONTRACTUAL OBLIGATIONS

Period of relief

The temporary relief measures took effect from 20 April 2020 and will last for 6 months, until 19 October 2020 in the first instance (“relief period”) which may extend for another 6 months.

The act will only cover contractual obligations that are due on or after 1 February 2020 and contracts that were entered into before 25 March 2020.

Contracts covered

1.Secured loan agreements to SMEs

Loans from banks/finance companies to SMEs, which are secured against:

- Commercial or industrial immovable property located in Singapore; or
- Plant, machinery or fixed assets in Singapore used for business purposes

2.Construction contracts and supply contracts

3.Event and tourism-related contracts

- Event or tourism-related contracts such as venue or catering for weddings; tour or cruise packages.

4.Hire-purchase and conditional sales agreements

- Plant or machinery in Singapore used for commercial purposes such as manufacturing.
- Commercial vehicles used as goods vehicle, private bus, private hire car, etc.

5.Leases and licenses of non-residential property.

6.Options to purchase and sale and purchase agreements with housing developers

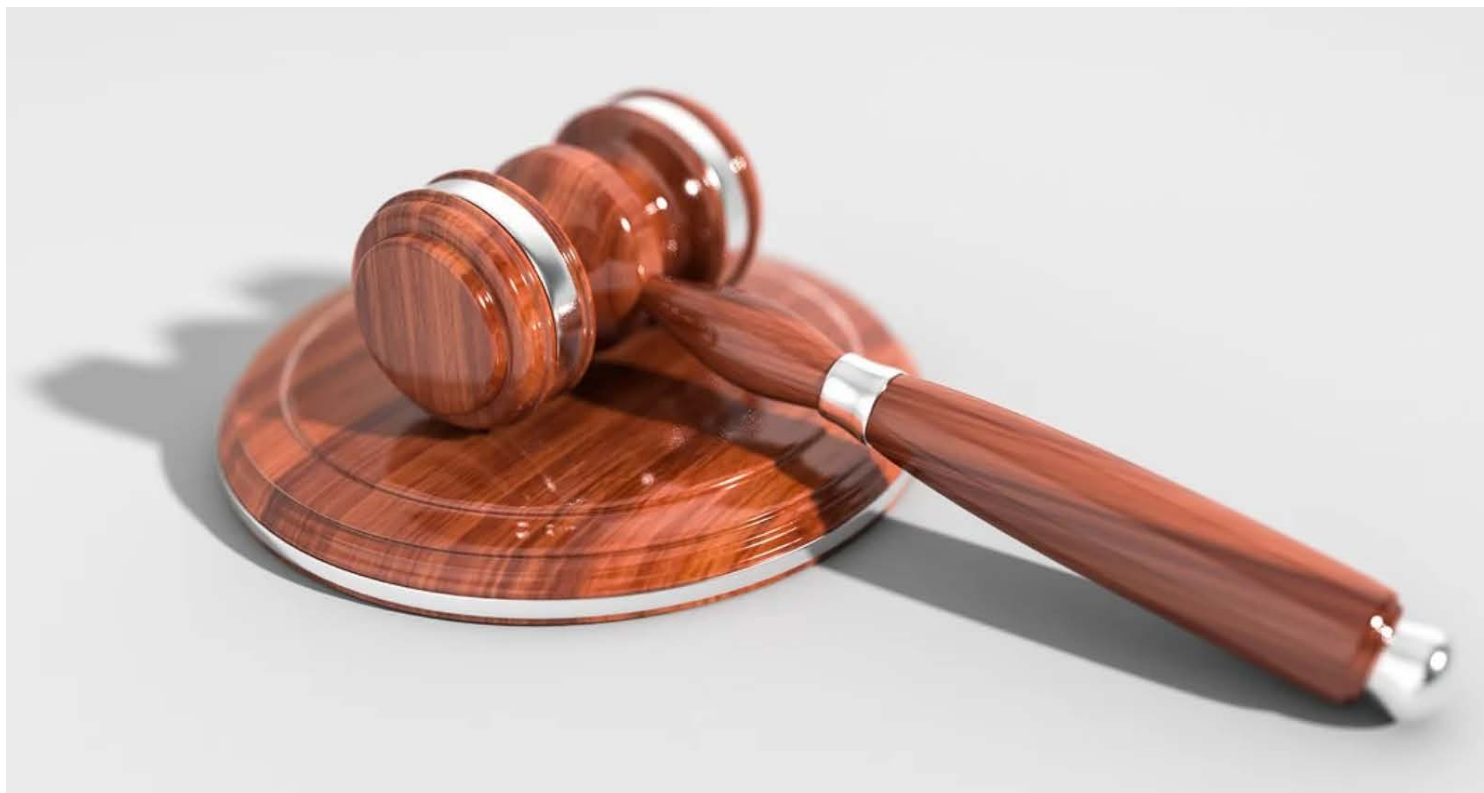
In a contract with a housing developer (private developers or HDB):

- Option to Purchase (OTP);
- Sale and Purchase (S&P) Agreement; or
- Agreement for Lease (AFL)

7.Rental agreements for commercial equipment

Rental agreement for:

- Plant or machinery in Singapore used for commercial purposes (e.g. manufacturing)
- Commercial vehicle (e.g. used as goods vehicle, private bus), excluding taxis and private-hire cars



Eligibility

Before applying for reliefs, companies/individuals and the parties involved should first discuss and try to understand each other's positions and needs to reach a mutual agreement. In the event that a compromise is not sustained, companies/individuals may then use the online self-assessment tool to assess whether their case qualifies for the relief under the Act. The tool can be accessed [here](#).

Once eligibility has been cleared, companies/individuals may serve a Notification for Relief on the following recipients, where applicable:

- The other party or parties to the contract;
- Any guarantor or surety for the obligation in the contract; and
- The issuer of a performance bond or equivalent for the performance of the obligation, where the contract is a construction contract or supply contract ("Issuer of Related Performance Bond").

In filling up the forms, companies/individuals must ensure that the contents are accurate as no changes will be allowed to be made once it has been served. If errors have been made, the company/individual must withdraw the previous application made and file for a new notification of relief.

The forms for application are available [here](#).

Additional resource

For more information on the different reliefs available under the COVID-19 (Temporary Measures) Bill act, please refer to the Ministry of Law's (Singapore) website [here](#).

To seek guidance and professional help on navigating through your firm's contractual obligations, contact us at info@rtasean.com.

PART 1: FINANCIAL REPORTING – INTERNATIONAL

1.1 IASB issues amendment to IFRS 16 to help lessees account for covid-19-related rent concessions

On 28 May 2020, the International Accounting Standards Board (IASB) issued an amendment to IFRS 16 Leases to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of covid-19-related rent concessions could be practically difficult, especially in the light of the many challenges stakeholders face during the pandemic. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors.

The amendment is effective 1 June 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements—interim or annual—not yet authorised for issue.

To access the amendments to IFRS 16, please click [here](#).

1.2 IASB issues package of narrow-scope amendments to IFRS Standards

On 14 May 2020, the IASB issued minor amendments to several IFRS Standards. The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- **Amendments to IFRS 3 *Business Combinations*** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 *Property, Plant, and Equipment*** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** specify which costs a company includes when assessing whether a contract will be loss-making.
- **Annual Improvements** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

All amendments are effective 1 January 2022.

PART 2: FINANCIAL REPORTING – SINGAPORE

2.1 ASC issues amendment to FRS 116 and SFRS(I) 16

Pursuant to the amendment to IFRS 16 by the IASB on 28 May 2020 to help lessees account for covid-19-related rent concessions, the Singapore Accounting Standards Council (ASC) issued similar amendments to FRS 116 and SFRS(I) 16, also on 28 May 2020.

To access the amendment, please click [here](#) and [here](#).

2.2 ACRA issues Financial Reporting Practice Guidance No.1 of 2020

On 22 May 2020, the Accounting and Corporate Regulatory Authority (ACRA) issued Financial Reporting Practice Guidance No 1 of 2020 to guide directors in the review of financial statements during the COVID-19 situation. The guidance highlights areas that may require close attention by directors before approving the company's financial statements.

To access the Guidance, please click [here](#).

2.3 ISCA issues FRB 6 “COVID-19 Government Relief Measures: Accounting for the grant provided by the Singapore Government for wages paid to local employees under the Jobs Support Scheme”

The Jobs Support Scheme (JSS) was put in place to help employers retain their local employees during this period of economic uncertainty. The Institute of Singapore Chartered Accountants (ISCA) had received feedback that there is uncertainty on the accounting of JSS payouts by entities, especially by entities with a financial reporting period ended 31 March 2020. On 7 May 2020, Financial Reporting Bulletin (FRB) 6 was issued by the ISCA Financial Reporting Committee to address the above uncertainty. It also includes an illustrative example to aid in the understanding of the principles being applied.

To access FRB 6, please click [here](#).



PART 3: AUDIT & ASSURANCE- INTERNATIONAL

3.1 IAASB proposes modernisation of ISA 600 in support of audit quality

On 27 April 2020, the International Auditing and Assurance Standards Board (IAASB) issued the exposure draft (ED) of proposed International Standard on Auditing (ISA) 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).

Proposed ISA 600 (Revised) deals with special considerations for audits of group financial statements (group audits). The proposed revised standard introduces an enhanced risk-based approach to planning and performing a group audit. This approach appropriately focuses the group engagement team's attention and work effort on identifying and assessing the risks of material misstatement of the group financial statements and designing and performing further audit procedures to respond to those assessed risks. The proposed standard recognizes that component auditors can be, and often are, involved in all phases of a group audit. In these circumstances, the proposed standard highlights the importance of the group engagement team's involvement in the component auditor's work.

In addition, the proposed revised standard:

- Clarifies the scope and applicability of the standard.
- Emphasizes the importance of exercising professional skepticism throughout the group audit.
- Clarifies and reinforces that all ISAs need to be applied in a group audit through establishing stronger linkages to the other ISAs, in particular to proposed ISA 220 (Revised), ISA 315 (Revised 2019) and ISA 330.
- Reinforces the need for robust communication and interactions between the group engagement team, group engagement partner and component auditors.
- Includes new guidance on testing common controls and controls related to centralized activities.
- Includes enhanced guidance on how to address restrictions on access to people and information.
- Enhances special considerations in other areas of a group audit, including materiality and documentation.

The ED is open for public comment until 2 October 2020. To access the ED, please click [here](#).

3.2 ISA 540 (revised) Implementation Working Group issues illustrative examples for auditing simple and complex accounting estimates

On 29 May 2020, the IAASB announced that its International Standard on Auditing (ISA) 540 (Revised) Implementation Working Group has prepared illustrative examples for auditing simple and complex accounting estimates.

The examples are designed to illustrate how an auditor could address certain requirements of ISA 540 (Revised), and have been developed to assist the auditor in understanding how ISA 540 (Revised) may be applied to:

- Simple Accounting Estimate – Provision on Inventory Impairment
- Complex Accounting Estimate – Provision on Property, Plant and Equipment Impairment

The examples illustrate accounting estimates with varying characteristics and degrees of complexity. Each example illustrates a selection of requirements from ISA 540 (Revised). Not all requirements are addressed in each example, nor do they cover all parts of those requirements that have been selected. The requirements selected across each example vary to illustrate different aspects of ISA 540 (Revised) and to focus on those requirements that are most relevant to the example.



3.1 IAASB proposes modernisation of ISA 600 in support of audit quality

These examples are intended to be read together with ISA 540 (Revised). This will demonstrate how an auditor's work effort, to comply with the requirements of ISA 540 (Revised), may be scaled down and scaled up when auditing simple and complex accounting estimates.

For more information and to view the illustrative, please click [here](#).

PART 4: AUDIT & ASSURANCE- SINGAPORE

4.1 ACRA issues Audit Practice Bulletin (APB) No.1 of 2020

On 20 May 2020, the Accounting and Corporate Regulatory Authority (ACRA) issued Audit Practice Bulletin (APB) No.1 of 2020 to guide public accountants in the conduct of audits during the COVID-19 situation. The bulletin covers key areas of audit that may be impacted arising from the COVID-19 outbreak.

To access the APB, please click [here](#).

PART 5: ETHICS – INTERNATIONAL

5.1 IESBA staff release covid-19 Q&As highlighting ethics & independence considerations

On 8 May 2020, the Staff of the International Ethics Standards Board for Accountants (IESBA) released a Question and Answer (Q&A) publication, COVID-19: Ethics and Independence Considerations, to highlight aspects of the International Code of Ethics for Professional Accountants (including International Independence Standards) that can be relevant in navigating ethics and independence challenges and risks as a result of the COVID-19 pandemic.

The two-part document covers firstly topics relevant to all professional accountants, and secondly, topics pertinent to auditors and other professional accountants in public practice

To access the document, please click [here](#).



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