



Changes to the financial reporting framework in Singapore

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Acronyms

ASC	Accounting Standards Council
ED	Exposure Draft
FRS	Singapore Financial Reporting Standards
FASB	United States Financial Accounting Standards Board
IASB	International Accounting Standards Board
ICPAS	Institute of Certified Public Accountants of Singapore
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
INT FRS	Interpretation of Singapore Financial Reporting Standards
RAP	Recommended Accounting Practice
SGX	Singapore Exchange Limited
SGX-ST	Singapore Exchange Securities Trading Limited
US GAAP	United States Generally Accepted Accounting Principles

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Introduction

The purpose of this publication is to provide a roundup of the recent changes in the Singapore financial reporting framework which we believe are important to accounting and audit professionals.

In this edition, we continue to provide a summary of the new/revised FRSs and INT FRSs, as well as Exposure Drafts currently in issue, including an updated comparison of FRS against IFRS. We have also retained summaries of the new/revised FRSs and INT FRSs summarised in the 2010 edition which are effective for financial periods beginning on or after 1 February 2010.

Section I: Financial Reporting Standards

Revised/amended FRSs and INT FRSs issued in 2009

Amended FRS

FRS 32 (Amended)	FRS 32 <i>Financial Instruments: Presentation</i> - Amendments on Classifications of Rights Issues (effective for annual periods beginning on or after 1 February 2010)
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FRS 32 (Amended) *Financial Instruments: Presentation* - Amendments on Classifications of Rights Issues

Background

Under the requirements of FRS 32, a derivative instrument relating to the purchase or issue of an entity's own equity instruments is classified as equity only if it results in the exchange of a fixed amount of cash or other financial assets (the "fixed-for-fixed" notion).

Certain rights issues are denominated in a currency other than the issuer's functional currency because the entity is listed in one or more jurisdictions where the local currency is not its functional currency.

Thus, a question arose as to whether such rights issues meet the fixed-for-fixed notion given that the amount of cash to be received may be variable due to foreign exchange variability.

Amendment

Under the amendments, rights, options and warrants issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments provided that the offer is made pro-rata to all existing owners of the same class of the entity's non-derivative equity instruments.

The rationale for the above is that, because such rights, warrants and options are issued only to existing shareholders on the basis of the number of shares they already own, it was considered that they resemble a dividend paid in shares, and as such represent a transaction with equity owners in their capacity as owners.

Effective date

The amendment is effective for annual periods beginning on or after 1 February 2010 with earlier application permitted.

Revised/amended FRSs and INT FRSs issued in 2010

New/revised/amended FRSs/INT FRSs

General amendments	<i>Improvements to FRSs</i> (October 2010) (refer to details of amendments below for effective dates)
FRS 24 (Revised)	<i>Related Party Disclosures</i> (effective for annual periods beginning on or after 1 January 2011)
FRS 101 (Amended)	<i>Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters</i> (effective for annual periods beginning on or after 1 July 2010)
INT FRS 114 (Amended)	<i>Prepayments of a Minimum Funding Requirement</i> (effective for annual periods beginning on or after 1 January 2011)
INT FRS 115	<i>Agreements for the Construction of Real Estate, with an Accompanying Note</i> (effective for annual periods beginning on or after 1 January 2011)
INT FRS 119	<i>Extinguishing Financial Liabilities with Equity Instruments</i> (effective for annual periods beginning on or after 1 July 2010)

Improvements to FRSs (October 2010)

This is the third set of Improvements to FRSs that is intended to deal with non-urgent, minor amendments to FRSs. These amendments focus on areas of inconsistency in FRSs or where clarification of wording is required. The improvements are effective from 1 January 2011 except as otherwise specified.

Details of amendments

The following table provides a summary of each of the amendments.

Standard	Subject of amendment	New requirements
FRS 1 <i>Presentation of Financial Statements</i>	Clarification of statement of changes in equity	The amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements. Earlier application is permitted.
FRS 27 <i>Consolidated and Separate Financial Statements</i>	Transitional requirements for consequential amendments as a result of FRS 27 (2009)	The amendment clarifies that the amendments made to FRS 21 The Effects of Changes in Foreign Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures as a result of FRS 27 (2009) should be applied prospectively. The amendment is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

Standard	Subject of amendment	New requirements
FRS 34 <i>Interim Financial Statements</i>	Significant events and transactions	<p>The amendments emphasise the principle in FRS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report.</p> <p>The amendments also clarify how to apply this principle in respect of financial instruments and their fair values.</p> <p>Earlier application is permitted.</p>
FRS 101 <i>First-time Adoption of International Financial Reporting Standards</i>	Accounting policy changes in the year of adoption	<p>The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in FRS 101 after it has published an interim financial report in accordance with FRS 34 Interim Financial Reporting but before its first FRS financial statements are issued, it should explain those changes and update the reconciliations between previous GAAP and FRSs.</p> <p>The requirements in FRS 8 do not apply to such changes.</p> <p>Earlier application is permitted.</p>
	Revaluation basis as deemed cost	<p>The amendment clarifies that a first-time adopter is permitted to use an event driven fair value as 'deemed cost' at the measurement date for measurement events that occurred after the date of transition to FRSs but during the period covered by the first FRS financial statements. Any resulting adjustment shall be recognised directly in equity at the measurement date.</p> <p>Earlier application is permitted.</p>
	Use of deemed cost for operations subject to rate regulation	<p>Specifies that a first time adopter may elect to use the previous GAAP carrying amount of items of property, plant and equipment or intangibles that are, or were, used in operations subject to rate regulations. This election is available on an item by item basis.</p>

Standard	Subject of amendment	New requirements
FRS 103 (2009) <i>Business Combinations</i>	Measurement of non-controlling interests	<p>The amendments specify that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under FRS 103 (2009) Business Combinations applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation</p> <p>All other components of non-controlling interests (e.g. equity component of convertible preference shares), should be measured at their acquisition date fair value, unless another measurement basis is required by FRSs.</p> <p>The amendments are effective for annual periods beginning on or after 1 July 2010, and are to be applied prospectively from the date the entity first applied FRS 103 (2009). Earlier application is permitted.</p>
	Un-replaced and voluntary replaced share based payment awards	<p>The amendments specify that the current requirement to measure awards of the acquirer that replace acquiree's share-based payment transactions in accordance with FRS 102 at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced.</p> <p>The amendments also specify that the current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily.</p> <p>The amendments are effective for annual periods beginning on or after 1 July 2010. To be applied prospectively from the date the entity first applied FRS 103 (2009). Earlier application is permitted.</p>
	Transitional requirements for contingent consideration from a business combination that occurred before the effective date of FRS 103 (2009)	<p>The amendment clarifies that FRS 32 Financial Instruments: Presentation, FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of FRS 103 (2009).</p> <p>For such contingent considerations, the requirements of FRS 103 (2004) continue to apply.</p> <p>The amendment is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.</p>

Standard	Subject of amendment	New requirements
FRS 107 <i>Financial Instruments: Disclosures</i>	Clarifications of disclosures	<p>The amendments encourage qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments.</p> <p>The amendments clarify the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.</p> <p>Earlier application is permitted.</p>
INT FRS 113 <i>Customer loyalty programmes</i>	Fair value of credit awards	<p>The amendment clarifies that the 'fair value' of award credits should take into account: the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and any expected forfeitures.</p> <p>Earlier application is permitted.</p>

FRS 24 (Revised) *Related Party Disclosures*

Background

The revised FRS 24 has two main areas of change as follows:

- (i) providing a partial exemption from the disclosure requirements for government-related entities; and
- (ii) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

(i) Partial exemption for government-related entities

The previous version of FRS 24 contained no specific exemption for government-related entities. Many entities, particularly in an environment where government control is pervasive, found it problematic in practice to identify all government-related entities, and to quantify all related party transactions and balances with those entities.

As a result, the revised Standard provides a partial exemption from the disclosure requirements of FRS 24 for government-related entities. Specifically, a reporting entity is exempt from the general disclosure requirements set out in FRS 24 in relation to related party transactions and outstanding balances (including commitments) with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

In this context, government refers to government, government agencies and similar bodies whether local, national or international.

However, where a reporting entity is exempt from the general disclosure requirements as outlined above, the revised Standard requires the reporting entity to disclose the following information about the transactions and related outstanding balances:

- the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);
- the following information in sufficient detail about:
 - the nature and amount of each individually significant transaction; and
 - for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

Regarding the level of detail to be disclosed in relation to transactions that are collectively (but not individually) significant, the revised FRS 24 states that the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction should be considered. Examples of factors to be considered are whether the transaction:

- is significant in terms of size;
- is carried out on non-market terms;
- is beyond normal day-to-day business operations (e.g. purchases and sales of businesses);
- has been disclosed to regulatory or supervisory authorities;
- has been reported to the senior management; and
- requires shareholders' approval.

The revised FRS 24 contains some illustrative examples in relation to the application of the revised requirements for government related entities.

(ii) Revised definition of a related party

The revised definition of a related party is as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (i.e. 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

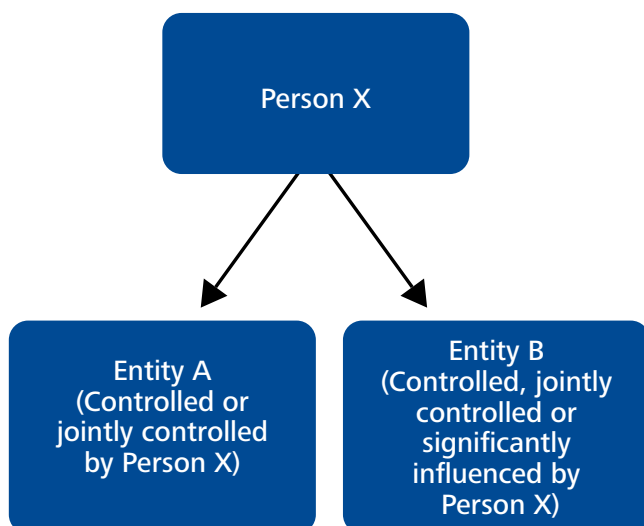
- (i) has control or joint control over the reporting entity;*
- (ii) has significant influence over the reporting entity; or*
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.*

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).*
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).*
- (i) Both entities are joint ventures of the same third party.*
- (ii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.*
- (iii) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.*
- (iv) The entity is controlled or jointly controlled by a person identified in (a).*
- (v) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).*

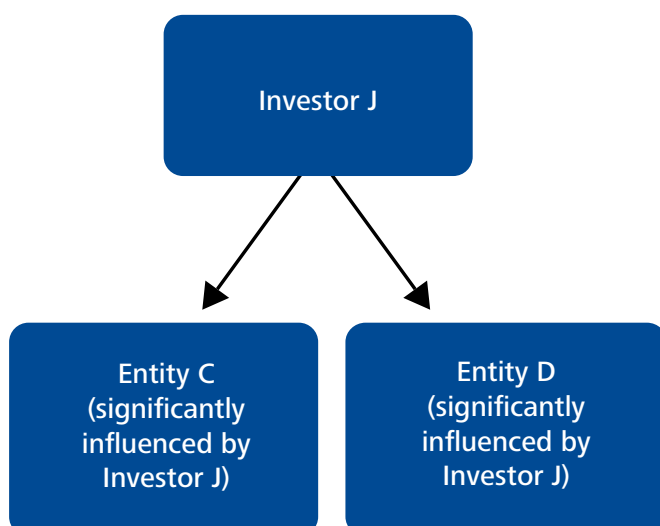
The following are some examples of related parties under the revised FRS 24.

Situation 1 – Person as an investor



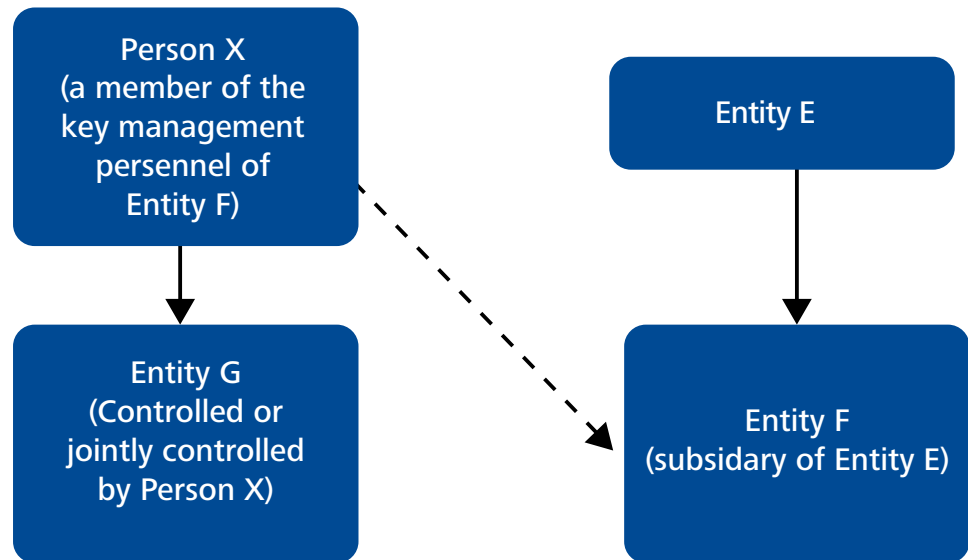
Person X has control or joint control over Entity A. Person X has control, joint control or significant influence over Entity B. The revised FRS 24 states that Entity A and Entity B are related parties for the purposes of the financial statements of both entities.

Situation 2 – Two associates of an investor



Entity C and Entity D are associates of Investor J. The revised FRS 24 makes it clear that Entity C and Entity D are not related parties of each other. The rationale as expressed by the IASB in the Basis for Conclusions to IAS 24 (Revised) is that common investment in two associates is not sufficient to conclude that the two associates are related parties.

Situation 3 – Investments of members of key management personnel



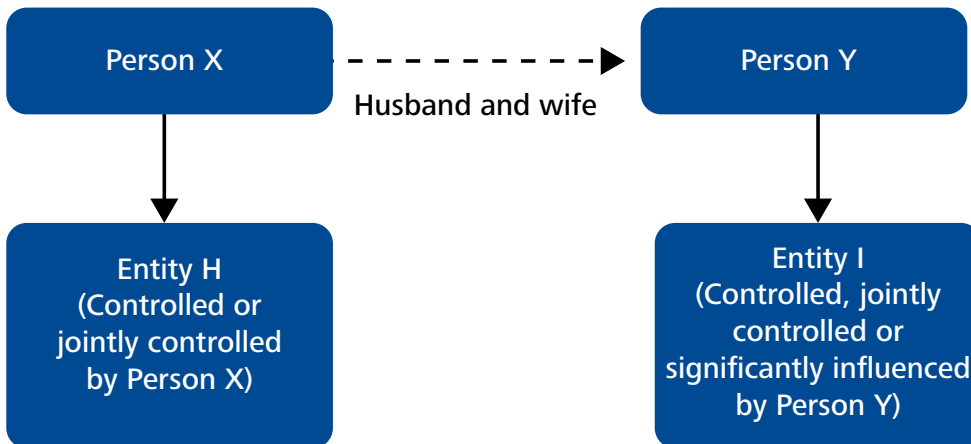
Entity G is controlled or jointly controlled by Person X. Person X is a member of the key management personnel of Entity F.

Under the revised FRS 24, Entity F (i.e. the entity managed by Person X) is a related party of Entity G for the purposes of the financial statements of Entity G.

The previous version of FRS 24 treated some investees of the key management personnel of a reporting entity as related parties to the reporting entity. However, the previous version of the FRS 24 did not include the reciprocal of such a situation. Therefore, to remove the inconsistency, the definition of a related party has been revised to ensure that Entity F and Entity G are treated as related parties in the financial statements of Entity F and Entity G.

Note: The outcome will be the same if Person X is a member of key management personnel of Entity E and not Entity F.

Situation 4 – Close members of the family holding investments



Person X and Person Y are husband and wife. Person X has control or joint control over Entity H while Person Y has control, joint control or significant influence over Entity I. The revised FRS 24 states that Entity H and Entity I are related parties for the purposes of the financial statements of both entities.

In addition, the revised Standard states that, in relation to the definition of a related party, references to “an associate” and “a joint venture” include subsidiaries of the associate and subsidiaries of the joint venture. Therefore, an associate’s subsidiary and the investor that has significant influence over the associate are related to each other.

The revised Standard is effective for annual periods beginning on or after 1 January 2011 and requires retrospective application. Therefore, in the year of initial application, disclosures for the comparative period will need to be restated.

Effective date and transition

Earlier application is permitted, either of the whole revised Standard or of the partial exemption for government-related entities. If an entity applies either the whole Standard or the partial exemption for a period beginning before 1 January 2011, it is required to disclose that fact.

FRS 101 (Amended) *First-time Adoption of Financial Reporting Standards* - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

Background

In 2009, an amendment to FRS 107 Financial Instruments: Disclosures was issued entitled Improving Disclosures about Financial Instruments ('the FRS 107 Amendments'). These amendments expanded the disclosures required, for each class of financial instruments, in respect of fair value measurements recognised in the statement of financial position, introduced a three-level fair value hierarchy and clarified the scope of items to be included in the maturity analyses required under FRS 107.

The transitional provisions within the FRS 107 Amendments provide relief in the first year of application from providing comparative information for the disclosures required by the FRS 107 Amendments for current FRS preparers. However, FRS 101 was not amended to accommodate the relief at that time.

Amendments

Consequently, FRS 101 was amended in 2010 to clarify that first-time adopters will receive the same relief from providing comparative period disclosures required by the FRS 107 Amendments as the current FRS preparers.

In addition, it was further clarified that, for both existing FRS preparers and first-time adopters, an entity need not provide comparative information for the disclosures required by the FRS 107 amendments for any annual comparative periods ending before 31 December 2009, any interim periods within an annual comparative period ending before 31 December 2009, and any statement of financial position presented within these periods including any statement of financial position as at the beginning of the earliest comparative period, if the statement of financial position is as at a date before 31 December 2009. This clarification provides relief to reporting entities presenting more than one period of comparative information and opening statements of financial position in those cases when an entity is required to present three statements of financial position in accordance with FRS 1 or FRS 101.

Effective date

The amendment to FRS 101 is effective for annual periods beginning on or after 1 July 2010 with earlier application permitted.

INT FRS 114 (Amended) *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

– Prepayments of a Minimum Funding Requirement

Background

The amendments have been made to remedy an unintended consequence of INT FRS 114 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions as an asset.

INT FRS 114 was issued in 2008 to address three issues:

- when refunds or reductions in future contributions should be regarded as ‘available’ in accordance with FRS 19 *Employee Benefits*;
- how minimum funding requirements might affect the availability of reductions in future contributions; and
- when minimum funding requirements might give rise to a liability.

Issue

INT FRS 114 (as originally issued) unintentionally reduced the economic benefits available in accordance with FRS 19 arising from voluntary prepayments of minimum funding contributions.

If an entity is subject to minimum funding requirements for contributions relating to future benefits, INT FRS 114.20 (as originally issued) limited the economic benefit available in the form of reductions in future contributions to the present value of:

- (a) the estimated future service cost in each year; less
- (b) the estimated minimum funding contributions required in respect of the future accrual of benefits in that year.

INT FRS 114 (as originally issued) did not consider that a plan surplus may result from a prepayment of future minimum funding contributions and, in some situations, entities may have been prevented from recognising as an asset the economic benefit arising from the prepayment. This is because, to the extent that minimum funding contributions required in respect of the future accrual of benefits exceed service costs calculated under FRS 19 in any given year, INT FRS 114 specifies that the present value of that excess reduces the amount of the asset available as a reduction in future contributions.

Consensus

Under the amended INT FRS 114.20, if there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions (and, therefore, the surplus that should be recognised as an asset) comprises of:

- (a) any amount that reduces future minimum funding requirement contributions for future services because the entity made a prepayment (i.e. any amount that the entity has paid before being required to do so); and
- (b) the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service in that period if there were no prepayment of those contributions as described in (a).

Further, INT FRS 114 clarifies that while the amount calculated under (b) may be negative for a given period (i.e. the estimated minimum funding requirement contribution for that period exceeds the estimated future service cost for that same period), the total amount calculated under INT FRS 114.20 (b) can never be less than zero. Accordingly, the economic benefit available as a reduction in future contributions will correspond, as a minimum, to the amount of the prepayment, if any.

Effective date and transition

The amendments are effective for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period, it should disclose that fact.

The amendments must be applied from the beginning of the earliest comparative period presented in the first annual financial statements in which the entity applied INT FRS 114 (mandatory for annual periods beginning on or after 1 January 2008, but may have been adopted for an earlier accounting period). Any initial adjustment arising from the application of the amendments by an entity that had previously applied INT FRS 114 shall be recognised as an adjustment to retained earnings at the beginning of the earliest comparative period presented.

INT FRS 115 *Agreements for Construction of Real Estate* – with an Accompanying Note

Background

INT FRS 115 is based on its international equivalent IFRIC 15, which addresses the accounting for revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete.

The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of FRS 11 *Construction Contracts* or FRS 18 *Revenue* and when revenue from the construction should be recognised.

Issue and consensus

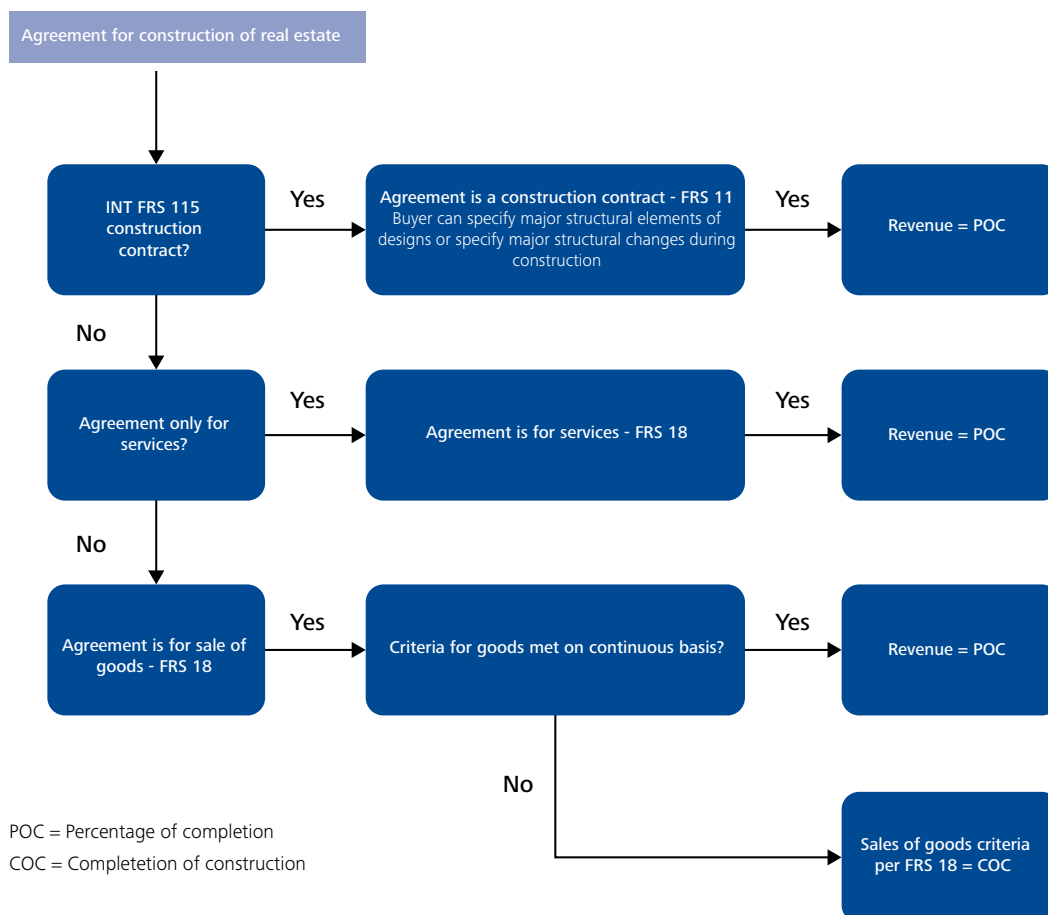
An agreement for the construction of real estate is a construction contract within the scope of FRS 11 only when the buyer is able to specify the major structural elements of the design of the real estate before the construction begins and/or specify major structural changes once construction is in progress (whether it exercises that ability or not). If the buyer has that ability, FRS 11 applies. If the buyer does not have that ability, FRS 18 applies.

Under FRS 18:

- an agreement can be considered as "rendering of services" if the entity is not required to acquire and supply construction materials, and revenue is recognised by reference to the stage of completion; and
- an agreement will be considered as "sale of goods" if it involves the provision of services together with construction materials in order to perform its contractual obligations to deliver real estate to the buyer, and revenue can only be recognised when the entity has met all the criteria in FRS 18.14 i.e., transfer to the buyer control and the significant risks and rewards of ownership of the goods.

The interpretation introduces a new concept that the transfer of control and significant risks and rewards in a sale of goods under FRS 18 could occur continuously as construction progresses, and revenue can be recognised using percentage completion method. When an entity adopts such accounting, specific disclosures are required, including how it determines which agreements meet all the criteria in FRS 18.14 continuously as construction progresses. One of the important indicators of "continuous transfer" appears to be that, if the agreement is terminated before the construction is complete, the buyer retains the work in progress and the entity has the right to be paid for the work performed to date.

The following diagram summarises the above concepts:



The main expected change in practice is a shift for numerous entities from recognising revenue using the percentage of completion method (i.e. as construction progresses, by reference to the stage of completion of the development) to recognising revenue at a single time (i.e. at completion upon or after delivery).

The main differences between INT FRS 115 and IFRIC 15 are in the effective dates, and that INT FRS 115 was issued with an Accompanying Note.

Effective date and transition

INT FRS 115 is effective for annual periods beginning on or after 1 January 2011. IFRIC 15 however, was effective for annual periods beginning on or after 1 January 2009. Both require retrospective application. RAP 11 *Pre-Completion Contracts for the Sale of Development Property* will cease to have effect after INT FRS 115 becomes effective.

Accompanying note ("AN")

The AN explains the application of the Interpretation to property development sales in Singapore by considering the Singapore legal framework. The AN concluded that sales of uncompleted residential property in Singapore that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and use the standard forms of the sale and purchase agreements prescribed in the schedule to the Housing Developers Rules (collectively "HDA"), generally meet the criteria set out in the Interpretation on continuous transfer of control and the significant risks and rewards of ownership of the uncompleted property units. Consequently, such sales should be accounted for on a percentage of completion method.

Additional guidance issued by the ICPAS

1. Method of revenue recognition for different types of real estate sales

In October 2011, the ICPAS issued additional guidance on the application of the AN on the method of revenue recognition for different types of real estate sales prevalent in Singapore.

For sales of real estate other than standard residential property sales under the HDA, developers need to refer to the principles set out in FRS 18 and INT FRS 115 to determine the appropriate manner to account for such sales. The table below provides an overview of the considerations for different types of real estate sales more commonly seen in Singapore:

Type of Real Estate Sales	Standard Residential Properties	Residential Properties on Deferred Payment Scheme	Executive Condominiums	Design, Build and Sell Scheme Properties	Commercial Properties	Mixed Development Properties
Considerations						
Ability to deal - sub-sell, mortgage and lodge caveat	✓	✓	✗	✗	✓	✓
Trust monies in Project Account	✓	✓	✓	✓	✗	✓
Progressive instalment payment scheme	✓	✗	✓	✓	✓	✓
Ministerial step-in provisions to complete development	✓	✓	✓	✓	✗	✓
Buyers cannot rescind contract	✓	✓	✗	✗	✓	✓
Conclusion	POC	COC	COC	COC	COC	POC

The rationale for the above accounting treatments is set out below.

Residential Properties on Deferred Payment Scheme

For residential properties on deferred payment scheme, the nature of the scheme is such that the inflow of economic benefits from the purchaser is not matched by the progressive payment of the contracted purchase price of the uncompleted property unit as the construction progresses. There is empirical evidence of units being returned to the developer during market downturns, as market prices fall more than the initial deposit paid. Hence, the purchaser does not acquire significant risks progressively and the developer should recognise revenue and associated expenses only upon issuance of Notice of Vacant Possession and provided that at this point, credit risk is not significant*.

(*Refer to point (2) below on further guidance issued by the ICPAS in December 2011 as to the timing of revenue recognition for residential properties on deferred payment scheme.)

Executive Condominiums & Design, Build and Sell Scheme Properties

Under the regulations of the Housing Development Board (“HDB”), the purchaser of Executive Condominiums (“ECs”) or Design, Build and Sell Scheme (“DBSS”) Properties is not able to resell in the open market during construction of the properties. Hence the purchaser does not have the ability to deal freely in the uncompleted unit. This would imply that the buyer has no control over the rewards and accordingly, they have not been transferred to the purchaser.

In addition, the purchaser is subject to the following eligibility rules which are applied during handover of the property:

- a) Purchaser must be a Singapore Citizen or Singapore Permanent Resident;
- b) Purchaser must form a family nucleus; and
- c) Purchaser must not own or have an estate or interest in any other properties, including private properties.

Because the completion of the sale is subject to the purchaser choosing to meet these eligibility rules, control and risks and rewards are not being considered progressively transferred from the developer to the purchaser.

Accordingly, the developers for both ECs and DBSS will not be able to apply the POC method as control and significant risks and rewards are not transferred to the purchaser until issuance of Notice of Vacant Possession#. Hence revenue and associated expenses should be recognised on the COC method.

(#Refer to point (2) below on further guidance issued by the ICPAS in December 2011 as to the timing of revenue recognition for EC and DBSS residential properties.)

Commercial Properties

Unlike standard residential properties, the construction activities are governed under the Sale of Commercial Properties Act (the “SCPA”) whereby there are no Project Accounts and no provisions for ministerial step-in to complete the development in the event of a default. Hence, revenue and related expenses should be recognised at the point when control and the significant risks and rewards are transferred to the buyer.

Mixed Development Properties

A mixed development property is a project involving the development and sale of a combination of residential units and commercial units. These properties are governed by both the HDA and the SCPA.

As stated in Section 9 of the HDA, a Project Account is required to be set up for building projects defined as “units to be used for residential or both residential and commercial purposes”. Further, there is a requirement under the HDA that progressive payments from the buyers of both residential and commercial units are placed into a Project Account and subject to similar conditions as the standard residential properties referred to in the AN. Similarly, under Section 18 of the HDA, provisions are made for ministerial intervention in the event of default to complete the construction of the property.

Accordingly, for this purpose, there are no substantive differences between the sale of residential and commercial units in mixed developments as compared to standard residential properties sales. Hence the revenue and associated expenses for mixed development properties should be recognised by reference to the stage of completion i.e. using POC method.

Nonetheless, in specific situations where uncertainties exist, the revenue and associated expenses should be recognised only upon the completion of construction. If deferred payment schemes are used in sales of mixed properties, for example, the application of the POC method would not be appropriate, similar to the accounting treatment for residential property sales on deferred payment schemes (see table above).

Conclusion

In summary, developers will need to refer to the principles set out in FRS 18 and INT FRS 115 to determine the appropriate accounting treatment for out of scope off-plan sales which also include overseas properties. Professional judgment should be exercised where necessary to determine the appropriate accounting treatment. Application by analogy of any one concept mentioned in the AN is not appropriate, as there are often multiple differences in the rules and their legal consequences which together lead to different results. The POC method should be used for standard residential property sales and for mixed development property sales, after considering in their entirety the rules relating to the sale of these properties.

2. Point of revenue recognition for different types of residential real estate sales

In December 2011, the ICPAS issued additional guidance to clarify the timing when revenue is recognised for sale of Singapore uncompleted residential properties and also the basis for progressive recognition of revenue.

We have summarised the conclusions on the timing of revenue recognition in the guidance in the table below:

Type of Real Estate Sales	Standard Residential Properties	Residential Properties on Deferred Payment Scheme	Executive Condominiums	Design, Build and Sell Scheme Properties
Stages of development				
Receipt of Temporary Occupation Permit ("TOP")	Under the POC method, this is the point where construction is substantially completed* (*There is generally little physical activity between the time of receipt of TOP and the Notice of Vacant Possession.)	-	-	-
Issuance of Notice of Vacant Possession	-	100% of revenue and costs recognised* *Upon satisfactory evaluation of credit risk (since only 20% of the contracted price has been received at this stage). Where collectibility risk is significant at this stage, 100% of revenue and costs are recognised when additional 65% of the purchase price is received.	100% of revenue and costs recognised	100% of revenue and costs recognised

The illustrative examples issued by the ICPAS did not include the timing when revenue is recognised for sale of Singapore uncompleted commercial properties and mixed development properties. In line with the principles and guidance set out in the ICPAS clarification set out above, our views on the point of revenue recognition for these properties are set out below.

For mixed development properties governed by both the HDA and the SCPA, generally 100% of the revenue and costs should be recognised upon receipt of TOP, on the basis that there are no substantive differences between the sale of residential and commercial units in a mixed development as compared to standard residential properties sales.

For commercial properties, generally 100% of the revenue and costs should be recognised upon issuance of Notice of Vacant Possession.

The guidance also clarifies that for progressive revenue recognition by reference to the stage of completion of the contract activity, the stage of completion may be determined as the percentage of cost incurred to date relative to the total estimated cost of the developed property, taking into account estimated future costs to discharge all obligations (cost-to-cost method). Progress payments claimed or made may not reflect the stage of completion of the contract activity and hence is not an appropriate determinant of revenue to be recognised.

INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*

Background

INT FRS 119 addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as “debt for equity swaps”).

A borrower may enter into an agreement with a lender to issue equity instruments to the lender in order to extinguish a financial liability owed to the lender. This is particularly common when the borrower is in financial difficulty.

Prior to issuance of INT FRS 119, it was noted that there was diversity in practice in accounting for these transactions. Some measure the equity instruments issued at the carrying amount of the financial liability derecognised and do not recognise any gain or loss on extinguishment of the liability in profit or loss. Others recognise the equity instruments at the fair value of either the liability extinguished or of the equity instruments issued, and recognise any difference between this amount and the carrying amount of the liability in profit or loss. INT FRS 119 eliminates this diversity.

Scope

INT FRS 119 addresses only the accounting by the entity which issues equity instruments in order to extinguish, in full or in part, a financial liability. It does not address the accounting by the lender. In addition, it is not to be applied in situations where:

- the lender is also a direct or indirect shareholder and is acting in its capacity as direct or indirect shareholder;
- the lender and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution from, or contribution to, the entity; or
- extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability.

Issues

FRS 39.41 states that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, should be recognised in profit or loss. INT FRS 119 addresses the following issues:

- whether the issue of equity instruments meets the definition of ‘consideration paid’ in accordance with FRS 39.41;
- how an entity should initially measure the equity instruments issued to extinguish such a financial liability; and
- how an entity should account for any difference between the carrying amount of a financial liability extinguished and the initial measurement of equity instruments issued.

Consensus

It was concluded that the issue of equity instruments to extinguish all or part of a financial liability constitutes consideration paid in accordance with FRS 39.41. The issue of equity instruments to extinguish financial liabilities can be seen as consisting of two transactions: first, the issue of equity instruments for cash and second, acceptance by the creditor of that amount of cash to extinguish the financial liability.

An entity should measure the equity instruments issued as extinguishment of the financial liability at their fair value on the date of extinguishment of the liability, unless that fair value is not reliably measurable. In this case the equity instruments should be measured to reflect the fair value of the liability extinguished.

If only part of a financial liability is extinguished through the issue of equity instruments, the entity should assess whether some of the consideration paid represents a modification of the portion of the liability which remains outstanding. If it is determined that part of the consideration paid relates to a modification of the outstanding liability, the entity should apportion the consideration between that portion which has been extinguished and that which remains outstanding.

Any difference between the carrying amount of the liability (or the part of the liability) extinguished and the fair value of equity instruments issued is recognised in profit or loss. When consideration is partly allocated to the portion of a liability which remains outstanding, the part allocated to this portion forms part of the assessment as to whether there has been an extinguishment or a modification of that portion of the liability. If the remaining liability has been substantially modified, the entity should account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by FRS 39.40.

Effective date and transition

The Interpretation is effective for annual periods beginning on or after 1 July 2010, with earlier application permitted. Where adoption of the Interpretation results in a change in accounting policy, that change should be applied from the beginning of the earliest comparative period presented in the year of adoption, in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. An entity is not required to restate the accounting for debt for equity swaps which occurred before the beginning of the earliest comparative period.

Revised/amended FRSs and INT FRSs issued in 2011

New/revised/amended FRSs/INT FRSs

FRS 1 (Amended)	<i>Presentation of Financial Statements</i> - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
FRS 12 (Amended)	<i>Income Taxes</i> - Deferred Taxes: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)
FRS 19 (Amended)	<i>Employee Benefits</i> - Post Employment Benefits (effective for annual periods beginning on or after 1 January 2013)
FRS 101 (Amended)	FRS 101 <i>First-time Adoption of Financial Reporting Standards</i> - Severe Hyperinflation (effective for annual periods beginning on or after 1 July 2011)
FRS 101 (Amended)	FRS 101 <i>First-time Adoption of Financial Reporting Standards</i> - Removal of Fixed Dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011)
FRS 107 (Amended)	Financial Instruments: <i>Disclosures</i> - Disclosures on Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)
FRS 110	<i>Consolidated Financial Statements</i> (effective for annual periods beginning on or after 1 January 2013)
FRS 27 (Revised)	<i>Separate Financial Statements</i> (effective for annual periods beginning on or after 1 January 2013)
FRS 111	<i>Joint Arrangements</i> (effective for annual periods beginning on or after 1 January 2013)
FRS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> (effective for annual periods beginning on or after 1 January 2013)
FRS 112	<i>Disclosure of Interests in Other Entities</i> (effective for annual periods beginning on or after 1 January 2013)
FRS 113	<i>Fair Value Measurement</i> (effective for annual periods beginning on or after 1 January 2013)

FRS 1 (Amended) *Presentation of Financial Statements* - Presentation of Items of Other Comprehensive Income

Background

The amendment to FRS 1 Presentation of Financial Statements is part of a wider project on performance reporting to overhaul the presentation of primary statements.

Amendment

This limited amendment on Other Comprehensive Income (“OCI”) presentation is to require entities to present separate grouping for OCI items that might be recycled i.e., reclassified to profit or loss (e.g., those arising from cash flow hedging, foreign currency translation) and those items that would not be recycled (e.g. “revaluation gains on property, plant and equipment that are carried at revalued amounts”). The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is still a choice to present OCI items before tax or net of tax.

Presentation of OCI and profit and loss items can continue to be presented either in a single statement or in two consecutive statements.

Effective date and transition

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after 1 July 2012, with full retrospective application. Early adoption is permitted.

FRS 12 (Amended) *Income Taxes* - Deferred Taxes: Recovery of Underlying Assets

Background

The amendments provide an exception to the general principle in FRS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset.

The amendments were issued in response to concerns that application of this principle can be difficult or subjective particularly for an investment property measured at fair value because it may be that the entity intends to hold the asset for an indefinite or indeterminate period of time, during which it anticipates both rental income and capital appreciation. In addition, gains and losses from the recovery of an asset through sale may be taxed at a different rate from that applicable to income earned from using the same asset. These factors have resulted in confusion and potential inconsistency in applying this principle in practice.

Amendment

In response, the amendment provides an exception to the principle when deferred tax assets or deferred tax liabilities arise from investment property measured using the fair value model in FRS 40 and for investment property acquired in a business combination if it is subsequently measured using the fair value model in FRS 40. The amendments introduce a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.

This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The implication of the amendment is that entities holding investment properties accounted for using the fair value model in accordance with FRS 40 in jurisdictions where tax is not imposed on sale of the investment property would no longer recognise deferred tax on any temporary differences arising from fair value gains or losses (unless the presumption is rebutted). This is because there would be no tax consequences expected to arise from recovering the carrying amount entirely through sale regardless as to whether the entity intends to use the property to generate rental income for a period of time prior to sale.

Note that because the presumption can only be rebutted in relation to a depreciable investment property, it may not apply to a freehold land component of an investment property. Accordingly, entities that are able to rebut the presumption may need to separate their investment property into 'depreciable' and 'non-depreciable' components and perform a separate deferred tax calculation for each component.

Effective date and transition

The amendments should be applied retrospectively requiring a retrospective restatement of all deferred tax assets or deferred tax liabilities within the scope of the amendment, including those that were initially recognised in a business combination.

The amendments also incorporate the requirements of INT FRS 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* (adapted to allow for the introduced rebuttable presumption), i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in FRS 16 should be based on the sale rate. Accordingly, INT FRS 21 has been withdrawn.

The effective date of the amendments is for annual periods beginning on or after 1 January 2012. Earlier application is permitted.

FRS 19 (Amended) *Employee Benefits* – Post Employment Benefits

Background

The amendments to FRS 19 change the following:

- (i) the accounting for actuarial gains and losses;
- (ii) the presentation approach;
- (iii) requirement for additional disclosures;
- (iv) classification of employee benefits;
- (v) clarified the timing of when termination benefits should be recognised; and
- (vi) clarification of certain practical issues.

Amendments

(i) Accounting for actuarial gains and losses

Prior to the amendment, FRS 19 permitted choices on how to account for actuarial gains and losses on pensions and similar items, including the 'corridor approach' which resulted in the deferral of gains and losses.

The amended FRS 19 will require an entity to recognise changes in defined benefit obligations and plan assets when they occur, thus eliminating the 'corridor approach'.

All actuarial gains and losses are to be recognised immediately through other comprehensive income ("OCI") in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The option to recognise actuarial gains and losses in profit or loss has been removed.

On transition to the amended FRS 19, an entity currently using the corridor approach may have to recognise a larger liability (or smaller asset) in the statement of financial position, which could affect its compliance with debt covenants.

On an ongoing basis, there will be greater volatility in the statement of financial position and in OCI due to the immediate recognition of actuarial gains and losses, but the profit or loss impact of amortising actuarial gains and losses will no longer occur.

(ii) Change in presentation approach

The amendments introduce a new approach for presenting changes in defined benefit obligations and plan assets in the statement of comprehensive income. Entities will need to segregate changes in the defined benefit obligation and the fair value of plan assets into those associated with (a) service costs, (b) net interest on the defined benefit liability (asset) and (c) remeasurements.

- (a) Service cost component – recognised in profit or loss and includes current service cost, vested and unvested past service cost (together with gains and losses from curtailments) and gains and losses on settlements. The distinction between past service cost and curtailments in the previous version of FRS 19 is no longer necessary as both of these items are now recognised immediately.

(b) Net interest component – recognised in profit or loss and is calculated by applying the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds (or government bonds when no deep market for bonds exists) to the net defined benefit liability or asset at the beginning of each reporting period. The difference between the actual return on plan assets and the change in plan assets resulting from the passage of time will be recognised in OCI as part of the remeasurement component.

In many cases, using the rate representing the market yields on high quality corporate bonds to calculate the net interest will reduce net profit or loss, since the net interest will not reflect the benefit from the expectation of higher returns on riskier investments.

(c) Remeasurement component – recognised in OCI and comprises actuarial gains and losses on the defined benefit obligation, the actual return on plan assets net of the interest on plan assets included in the net interest component and any changes in the effect of the asset ceiling. Actuarial gains and losses include experience adjustments and the effects of changes in actuarial assumptions. Remeasurements are never reclassified to profit or loss but may be transferred within equity (e.g. to retained earnings).

(iii) Requirement for additional disclosures

The amendments set objectives to improve the understandability and usefulness of disclosures, allowing users of financial statements to evaluate better the financial effect of liabilities and assets arising from defined benefit plans. The objectives are to:

- explain the characteristics and related risks of defined benefit plans;
- identify and explain the amounts in the financial statements; and
- describe how defined benefit plans may affect the future cash flows.

To meet these objectives, the amendments require an entity to provide additional disclosures, including a narrative description of the risks that the entity judges to be significant or unusual, actuarial gains and losses arising from changes in demographic assumptions separately from changes in financial assumptions, sensitivity analysis on the defined benefit obligation arising from reasonably possible changes to significant actuarial assumptions etc.

The amendments also add disclosure requirements on multi-employer defined benefit plans by requiring qualitative information about any agreed deficit or surplus allocation on wind-up of the plan, or the entity's withdrawal from the plan. If an entity accounts for a multi-employer defined benefit plan as if it were a defined contribution plan, the disclosures of the level of participation in the plan and the expected contribution for the next reporting period are required.

(iv) Classification of employee benefits

The amendments define short-term employee benefits as employee benefits that are “expected to be settled wholly” (previously “due to be settled”) before twelve months after the annual reporting period. Other long-term benefits are defined as all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

This modified definition may result in more plans being classified as long-term employee benefit plans that will need to be measured using actuarial assumptions.

(v) Timing of when termination benefits should be recognised

While there is no fundamental change in the definition of a termination benefit, the amendments provide additional guidance to assist in distinguishing between:

- benefits payable in exchange for termination of employment; and
- benefits payable in exchange for service.

For example, if an entity makes an offer to an employee of benefits available for more than a short period, or there is more than a short period between the offer and the expected date of actual termination, the offer is less likely to be deemed a termination benefit.

To align the timing of recognising amounts resulting from plan amendments, curtailments, termination benefits and restructuring, the amendments require that:

- if a plan is linked to a restructuring or termination benefit, the gain or loss should be recognised at the earlier of:
 - when the plan amendment or curtailment occurs; and
 - when the related restructuring or termination benefits are recognised.
- if a termination benefit is linked to a restructuring, the termination benefit should be recognised at the earlier of:
 - when the entity can no longer withdraw an offer of the benefits; or
 - when the related restructuring costs are recognised under *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*.

All of these amounts are recognised at the same time if they are related to each other.

(vi) Clarification of certain practical issues

The amendments also clarify that a settlement is a “transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions”. Therefore, settlements that are recognised in profit or loss are limited to payments that are not in accordance with the terms of the plan. The amendments also clarify that only tax paid by the plan and costs related to the management of the assets are deducted from the return on plan assets.

Effective date and transition

The amendments are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Retrospective application is required except:

- when benefit costs are included in the carrying amount of assets outside the scope of FRS 19 (e.g. inventories) these assets do not need to be adjusted on adoption; and
- in financial statements for periods beginning before 1 January 2014, comparative information does not need to be presented for disclosures for sensitivity of the defined benefit obligation.

FRS 101 *First-time Adoption of Financial Reporting Standards* – Severe Hyperinflation

Background

The amendments provide guidance for entities emerging from severe hyperinflation that are either resuming the presentation of FRS-compliant financial statements or presenting FRS-compliant financial statements for the first time.

Amendments

The currency of a hyperinflationary economy is subject to 'severe hyperinflation' if it has both the following characteristics:

- a reliable general price index is not available to all entities with transactions and balances in the currency; and
- exchangeability between the currency and a relatively stable foreign currency does not exist.

The 'functional currency normalisation date' is the date when either or both of these characteristics no longer exist, and hence the currency is no longer subject to severe hyperinflation, or when the entity's functional currency changes to a currency that is not subject to severe hyperinflation.

The amendments add an exemption to FRS 101 such that when an entity's date of transition to FRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to FRS and use that fair value as the deemed cost of those assets and liabilities in the opening FRS statement of financial position.

The exemption to use fair value as deemed cost should be applied only to those assets and liabilities that are held before the functional currency normalisation date, and not to assets and liabilities held by the entity at the time of transition to FRS. Furthermore, where a parent entity's functional currency has been subject severe hyperinflation, but its subsidiary's functional currency has not, the subsidiary would not be able to apply this exemption.

Any adjustments arising from this election are recognised directly in equity at the date of transition to FRS and must be accompanied by an explanation of how, and why, the entity had, and then ceased to have, a functional currency that was subject to severe hyperinflation.

Where the functional currency normalisation date falls within a 12-month comparative period, the comparative period may be less than 12 months, provided that a complete set of financial statements (i.e. which includes at a minimum a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and relevant notes) is provided for that shorter comparative period. Entities should consider whether disclosure of non-FRS comparative information and historical summaries would provide useful information to users of financial statements in these circumstances.

Effective date

The effective date of the amendments is for annual periods beginning on or after 1 July 2011. Earlier application is permitted

FRS 101 *First-time Adoption of Financial Reporting Standards* – Removal of Fixed Dates for First-time Adopters

Background

The transitional provisions of other FRSs do not generally apply to first-time adopters of FRS, as they are subject to the particular requirements of FRS 101. However, in respect of two issues (derecognition of financial assets and liabilities and 'day 1' gains and losses), the provisions in FRS 101 were drafted to mirror the transitional provisions of FRS 39 *Financial Instruments: Recognition and Measurement*. Those transition provisions require prospective application for transactions occurring after the fixed date of 1 January 2004. This specific date related to the timing of development of FRS 39, but as time passed, it began to appear less relevant.

Amendment

Firstly, the amendments replace the phrase '1 January 2004' with 'the date of transition to FRS'. Secondly, the amendments permit prospective application to transactions entered into 'on or after the date of transition to FRS' as opposed to the fixed dates of 25 October 2002 or 1 January 2004.

With these amendments, it is recognised that the fixed date of 1 January 2004 is no longer relevant to the financial statements of first-time adopters in jurisdictions that are, or will be, adopting FRS and that the cost of reconstructing transactions which occurred several years ago would most likely outweigh the benefit to be achieved in doing so.

A first time adopter of FRS can still apply the derecognition requirements of FRS 39 retrospectively from an earlier date, provided that the information needed to apply FRS 39 to financial assets and financial liabilities derecognised as a result of transactions prior to the first-time adopter's date of transition was obtained at the time of initially accounting for those transactions.

Effective date

The effective date of the amendments is for annual periods beginning on or after 1 July 2011. Earlier application is permitted

FRS 107 (Amended) *Financial Instruments: Disclosures* – Disclosures on Transfers of Financial Assets

Background

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure (referred to as 'continuing involvement') in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period (e.g., where transfers occur near the end of a reporting period). This is intended to create transparency around transactions that may be motivated by window dressing.

Amendments

Disclosures about transfers of financial assets should be presented in a single note in an entity's financial statements. The disclosures are required for all transferred financial assets where the transferor retains continuing involvement in the transferred asset, whether the asset is derecognised or not. The disclosures will apply in the period when the asset is transferred, as well as in future periods as long as the transferor retains a continuing involvement in the asset.

The amendments clarify that the disclosure requirements apply to transfers of all or a part of a financial asset if the entity:

- "transfers contractual rights to receive cash flows of that financial asset; or
- retains contractual rights to receive cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to other recipients in an arrangement".

Continuing Involvement

An entity has continuing involvement in a transferred financial asset if it "retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset." Normal representations and warranties relating to fraudulent transfers as well as forwards, options and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset do not constitute continuing involvement.

Summary of Disclosure Requirements

Many of the disclosure requirements for assets that are derecognised are new to FRS 107. The focus in FRS 107 currently is on those assets that fail to be derecognised, as opposed to those that are derecognised. The amendments to FRS 107 redress that balance by requiring the transferor to explain to what extent it continues to be exposed to an asset that is no longer recognised on its statement of financial position. Entities will need to consider whether current information systems are capable of capturing the necessary information, particularly as the additional disclosures are required for as long as the entity retains a continuing exposure. Disclosures related to the distribution of transfer activity in the reporting period, e.g. whether there is a concentration of transfer activity around the end of reporting periods, are intended to provide more insightful information about the timing of activities to address concerns around "window dressing".

(i) Disclosure Requirements - Transfers of financial assets that are not derecognised in their entirety

For transfers of financial assets that do not qualify for derecognition, an entity discloses information that enables users to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities.

For each class of financial asset (as determined in accordance with FRS 107), the entity is required to disclose:

- (a) the nature of the assets;
- (b) the nature of the risks and rewards of ownership to which the entity is exposed;
- (c) a description of the nature of the relationship between the assets and the associated liabilities, including any restrictions arising from the transfer on the entity's use of the transferred assets;
- (d) when the counterparty to the associated liabilities has recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position;
- (e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and of the associated liabilities; and
- (f) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

(ii) Disclosure Requirements - Transfers of financial assets that are derecognised in their entirety

For transfers of financial assets that result in full derecognition, but where the entity has continuing involvement in the assets, the entity discloses information that allows users to evaluate the nature of and risks associated with the entity's continuing involvement in derecognised financial assets. The assessment of continuing involvement is made at the level of the reporting entity. As indicated above, 'continuing involvement' is not restricted to the occasions where FRS 39 requires continuing involvement accounting, and may result from contractual provisions in the transfer agreement or in a separate agreement with the transferee or a third party entered into in connection with the transfer.

An entity is required to disclose information at the reporting date for each class of continuing involvement (aggregating its continuing involvement into types representative of the exposure to risks) including:

- (a) the carrying amounts and fair values of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;
- (b) the maximum exposure to loss from continuing involvement;
- (c) the undiscounted cash flows that would or may be required to repurchase derecognised financial assets along with a maturity analysis of those cash flows;
- (d) any gain or loss recognised at the date of the transfer of the assets;
- (e) any income and expenses recognised in the reporting period from the entity's continuing involvement in the derecognised financial assets; and
- (f) qualitative information that explains and supports the quantitative disclosures.

The amendments require further disclosures where transfers that qualify for derecognition are not evenly distributed throughout the reporting period. In that case, an entity is required to disclose when in the reporting period the greater transfer activity took place, the amounts (e.g. related gains or losses) recognised and the total transfer proceeds from the transfer activity during that part of the reporting period.

Effective date and transition

These amendments are effective for annual periods beginning on or after 1 July 2011. Early application of the amendments is permitted. Disclosures are not required for any period presented that begins before the date of initial application of the amendments.

FRS 110 *Consolidated Financial Statements*

Background

FRS 110 is a replacement of FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation-Special Purpose Entities*.

The objective of FRS 110 is to have a single basis for consolidation, irrespective of the nature of the investee. This is to address the differing concepts in FRS 27 (which uses control as a basis) and INT FRS 12 (which uses risk and rewards exposure as a basis) that may result in divergence in practice.

The IASB has also issued ED *Investment Entities* which proposes that Investment Entities do not apply consolidation requirements to investments that they control. A summary of this exposure draft can be found in the section below on Exposure Drafts in issue as at 31 December 2011.

Concurrent with the issuance of FRS 110, the following standards were also issued (These standards are elaborated further below):

- FRS 111 *Joint Ventures*
- FRS 112 *Disclosures of Interests in Other Entities*
- FRS 27 *Separate Financial Statements (Revised)*
- FRS 28 *Investments in Associates and Joint Ventures (Revised)*

Requirements

FRS 110 uses control as the single basis for consolidation, irrespective of the nature of the investee. Thus, it eliminates the risk and rewards approach in INT FRS 12. The three elements of control in FRS 110 are:

- (i) power;
- (ii) exposure (or rights) to variable returns from involvement with the investee; and
- (iii) ability to use power over the investee to affect the amount of investor's returns.

All elements above must exist in order to conclude that an investor has control over the investee. If there are any changes to the three elements, the conclusion of control must be reassessed.

(i) Power

FRS 110 states that power exists when the investor has existing rights that give it the current ability to direct "relevant activities" i.e. the activities that significantly affect the investee's returns.

Power – Relevant Activities

The relevant activities for entities whose operations are directed through voting rights will generally be its operating and financing activities.

Examples of what may be relevant activities include:

- selling and purchasing of goods or services;
- managing financial assets during their life (including upon default);
- selecting, acquiring or disposing of assets;
- researching and developing new products or processes; and
- determining a funding structure or obtaining funding.

Examples of decisions about relevant activities include:

- establishing operating and capital decisions of the investee; and
- appointing and remunerating an investee's key management personnel or services providers and terminating their employment.

If two or more investors have rights to direct different relevant activities of an investee, the investors must decide which of the relevant activities most significantly affects the returns of the investee.

Power – Substantive rights versus protective rights

When evaluating investors' rights in determining power to control, FRS 110 further distinguishes between substantive rights and protective rights. Only substantive rights are considered in evaluating power.

An investor has substantive rights when it has the practical ability to exercise the rights when decisions about the direction of the relevant activities (see above) need to be made. Rights need not be currently exercisable for it to be substantive. Also, rights held by other parties may prevent the investor from controlling the investee. FRS 110 provides the following factors to consider when determining whether rights are substantive:

- whether there are any barriers (economic or otherwise) that prevent the holder (or holders) from exercising the rights;
- when the exercise of rights requires the agreement of more than one party, or when the rights are held by more than one party, whether a mechanism is in place that provides those parties with the practical ability to exercise their rights collectively if they choose to do so; and
- whether the party or parties that hold the rights would benefit from the exercise of those rights.

An investor who holds only protective rights would not have power over an investee and could not prevent another party from having power over an investee. Protective rights are generally designed to protect the interests of their holder. FRS 110 provides the following examples of protective rights:

- a lender's right to restrict a borrower from undertaking activities that could significantly change the credit risk of the borrower to the detriment of the lender.
- the right of a party holding a non-controlling interest in an investee to approve capital expenditure greater than that required in the ordinary course of business, or to approve the issue of equity or debt instruments.
- the right of a lender to seize the assets of a borrower if the borrower fails to meet specified loan repayment conditions.

Power – Investor rights and special relationships

FRS 110 also requires an investor to consider special relationships with its investee that indicates that the investor has power over the investee. FRS 110 provides the following examples of such special relationships that may indicate power:

- the investee's key management personnel are current or previous employees of the investor;
- the investee's operations are dependent on the investor;
- a significant portion of the investee's activities either involves or is conducted on behalf of the investor; or
- the investor's exposure, or rights, to investee returns is disproportionately greater than its voting or similar rights.

Power – Defacto control

FRS 110 requires an investor that has less than majority voting rights to consider the size of its holdings in voting rights relative to the size and dispersion of holdings of other vote-holders and any additional facts and circumstances that may be relevant. After evaluating all facts, such an investor may meet the power criterion despite having less than majority of voting rights.

The assessment may prove quite challenging to apply in practice because it is likely to involve a significant degree of judgement. FRS 110 does not include any bright lines in this area. However, FRS 110 does have examples that illustrate how such judgement is applied.

Power – Principal versus agent relationship

FRS 110 introduces guidance on assessing whether an entity with decision making rights is acting as a principal or agent for another investor. The guidance is particularly relevant for investment managers who make investment decisions on behalf of investors in exchange for a fee. An investment manager may be considered a principal if the manager is not making investment decisions solely on behalf of the investors.

Power – Consider relationship with other parties

FRS 110 also provides guidance on when an investor has special relationship with another party such that the investor may direct the other party in acting on the investor's behalf (referred to as "de-facto agents").

This guidance in considering an investor's relationship with other parties is necessary to reflect properly the relationship that a group may have with its investee. An investor and its "de-facto agents" may each have power and economic involvements that when considered in isolation may not result in either party being identified as having control, but which together result in the group having control.

Examples of "de-facto" agents include:

- related parties of the investor;
- a party who received its interest in the investee as a result of a loan or contribution from the investor;
- a party who has agreed not to sell, transfer or encumber their interest in the investee without prior approval of the investor;
- a party that cannot finance its operations without subordinated financial support from the investor;
- an investee who shares a majority of its board or key management personnel with the investor; and
- a party with a close business relationship with the investor (such as a service provider and a significant client).

(ii) Exposure (or rights) to variable returns from involvement with the investee

This is the second criterion in the consolidation assessment. FRS 110 uses the term 'returns' rather than 'benefits' to clarify that the economic exposure to an investee may be either positive, negative or both. Examples of returns from involvement from investee may include changes in the value of the investment in the entity, residual interests in cash flows of structured entities, dividends, interest, management fee arrangements, guarantees, tax benefits or any other returns that may not be available to other interest holders. While many investors may share in the returns of an investee, only one investor will control the entity.

FRS 110 clarifies that although certain economic interests may be fixed (e.g. fixed coupon debt instrument), they might still result in variable returns as they expose the investor to variability e.g. credit risk from debt instrument.

(iii) Ability to use power over the investee to affect the amount of investor's returns

The third element of control considers the interaction between the two elements elaborated above. To have control over an investee, and investor must be able to use its power to affect its returns from involvement with the investee.

Effective date

FRS 110 is effective for financial periods beginning from 1 January 2013. Earlier application is permitted, but when early applied, all five standards (FRS 110, FRS 111, FRS 112, FRS 27(Revised) and FRS 28(Revised)) will have to be applied together. However, an entity may start including disclosures in FRS 112 into their financial statements without early adopting FRS 112 (and thereby the other four standards).

Transition

FRS 110 is to be applied retrospectively and with the transitional provisions outlined below.

When initial application of FRS 110 results in consolidation of an investee that was not previously consolidated, an investor should measure the assets, liabilities and non-controlling interests in that previously unconsolidated investee on the date of initial application as if that investee had been consolidated from the date when the investor obtained control of that investee, on the basis of the requirements of FRS 110.

If the investee is a business, this would mean applying FRS 103 Business Combinations as of that date. However, if this is impracticable, the investor should apply the requirements of FRS 103 with the deemed acquisition date being the beginning of the earliest period for which application is practical (which may be the current period).

If the investee is not a business, the entity would apply the acquisition method as described in FRS 103 without recognising any goodwill for the investee as of the deemed acquisition date. The deemed acquisition date shall be the beginning of the earliest period for which the application of this paragraph is practicable (which may be the current period).

Any difference between the amount of assets, liabilities and non-controlling interests recognised above and any previously recognised amounts from an entity's involvement will be an adjustment to equity for the period.

When the initial application of FRS 110 results in no longer consolidating an investee that was previously consolidated, an investor should measure its interest in the investee at the amount in which it would have been measured if the requirements of FRS 110 had always been effective. If measurement of the interest is impracticable, the investor should apply the requirements in FRS 110 for accounting for loss of control at the start of the reporting period in which FRS 110 is adopted.

Any difference between the amount recognised above and the previously recognised amount of the assets, liabilities and non-controlling interest will be an adjustment to equity for the period.

FRS 27 (Revised) *Separate Financial Statements*

Background and Amendment

The revised FRS 27 was issued concurrently with FRS 110 (see above). While FRS 27 was superseded by the issuance of FRS 110, the amended FRS 27 retains the current guidance for separate financial statements.

Effective date and transition

The amended FRS 27 is effective for financial periods beginning from 1 January 2013. Requirements for early application are the same as FRS 110 (see above).

FRS 111 *Joint Arrangements*

Background

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

FRS 111 addresses two aspects of FRS 31 – (1) that the legal structure of an arrangement was the sole determinant of the accounting; and (2) that an investor has a policy choice of equity accounting or proportionate consolidation for interests in jointly controlled entities.

FRS 111 improves on FRS 31 by requiring a party to a joint arrangement to look beyond the legal structure of the arrangement in evaluating the type of joint arrangement (and thus the appropriate accounting) and removes the option for proportionate consolidation.

Requirements

(i) Definition of joint arrangement

FRS 111 defines a joint arrangement as an “arrangement of which two or more parties have joint control” and makes clear that joint control exists only when “decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively”.

The concept of joint control includes control by more than two parties, but not when decisions may be reached by more than one combination of parties. FRS 111 provides the following example on this point:

Assume an arrangement has three parties: A has 50% of the voting rights in the arrangement and B and C each have 25%. The contractual arrangement between A, B and C specifies that at least 75% of the voting rights are required to make decisions about the relevant activities of the arrangement. Even though A can block any decision, it does not control the arrangement because it needs the agreement of either B or C. In this example, A B and C collectively control the arrangement. However, there is more than one combination of parties that can agree to reach 75% of the voting rights (i.e. either A and B, or A and C). In such a situation, to be a joint arrangement, the contractual arrangement between the parties would need to specify which combination of the parties is required to agree unanimously to decisions about the relevant activities of the arrangement.

(ii) Joint operation and joint ventures

FRS 111 classifies joint arrangements as either of the following:

- joint operations – an arrangement where parties that have joint control have rights to the assets and obligations for the liabilities; or
- joint venture – an arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 specifies that the existence of a separate vehicle is a necessary but not sufficient condition for a joint arrangement to be considered a joint venture. In an arrangement with a separate vehicle, all relevant facts and circumstances should be considered in determining whether the parties to the arrangement have rights to the net assets of the arrangement. This represents a significant change from FRS 31 which treats the establishment of a separate legal vehicle as the key factor in determining the existence of a jointly controlled entity.

In the absence of a separate vehicle, FRS 111 is clear that the parties to the joint arrangement have direct rights and obligations to the assets and liabilities of the arrangement and thus, it will be classified as a joint operation.

(iii) Accounting requirements

For joint operations, the joint operator recognises its share of assets, liabilities, revenues and expenses in accordance with applicable FRS while a joint venturer would account for its interest using the equity method of accounting under FRS 28 (Revised) (see below). The option of proportional consolidation in FRS 31 has not been retained in FRS 111.

In separate financial statements, joint operations are accounted for in the same manner in consolidated financial statements. Joint ventures, on the other hand, are accounted for either at cost or under FRS 39 in an investor's separate financial statements.

Effective date

FRS 111 is effective for financial periods beginning from 1 January 2013. Requirements for early application are the same as FRS 110 (see above).

Transition

FRS 111 is to be applied retrospectively and with the main transitional provisions outlined below.

When changing from proportionate consolidation to the equity method, an entity shall recognise its investment in the joint venture as at the beginning of the earliest period presented. That initial investment shall be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising from acquisition. An entity shall also assess whether the opening balance of the investment is impaired (by applying the requirements of FRS 28) and shall recognise any impairment loss as an adjustment to retained earnings at the beginning of the earliest period presented.

When changing from the equity method to accounting for assets and liabilities in respect of its interest in a joint operation, an entity shall, at the beginning of the earliest period presented, derecognise (1) the investment that was previously accounted for using the equity method (and any other items that formed part of the entity's net investment in the arrangement) and recognise (2) its share of each of the assets and the liabilities in respect of its interest in the joint operation, including any goodwill that might have formed part of the carrying amount of the investment. If net amount in (2) exceeds the amounts in (1), the excess will be offset against goodwill to the extent it exists, with any remaining excess recognised against retained earnings at the beginning of the earliest period presented. If amounts in (1) exceed the net amount in (2), the excess will be adjusted against retained earnings at the beginning of the earliest period presented.

FRS 28 (Revised) *Investments in Associates and Joint Ventures*

Background and amendment

The amended FRS 28 was issued concurrently with FRS 111 (see above). The amendments to FRS 28 are mainly on conforming changes based on the issuance of FRS 111.

The amended FRS 28 now sets out the requirements for the application of the equity method when accounting for investments in joint ventures, as the option for proportionate consolidation has been removed.

Effective date and transition

The amended FRS 28 is effective for financial periods beginning from 1 January 2013. Requirements for early application are the same as FRS 110 (see above).

FRS 112 *Disclosures of Interests in Other Entities*

Background

FRS 112 requires extensive disclosures relating to the entity's interests in subsidiaries, joint arrangements and unconsolidated structured entities. FRS 112 is issued concurrently with four other standards as elaborated above.

Requirements

Disclosure requirements include the following:

- Significant judgments and assumptions an entity has made in determining control, joint control or significant influence, and the type of joint arrangement (joint operation or joint venture).
- More disclosures on interests in subsidiaries e.g. information on non-controlling interests ("NCI"), including summarised financial information about each subsidiary with material NCI.
- Disclosures on interests in joint arrangements and associates e.g. information about contractual relationships with the other parties to joint arrangements or other investors that have interests in associates.
- Disclosures on interests in unconsolidated structured entities e.g. nature, purpose, size and activities of the structured entity.

While some of the required information is granular in a number of areas, FRS 112 does allow some aggregation of information within classes of investees. The level of information should not result in excessive detail that may not be helpful to users.

Effective date and transition

FRS 112 is effective for annual periods beginning on or after 1 January 2013. Early application is permitted, but when early applied, all five standards (together with FRS 27(Revised), FRS 28(Revised), FRS 110 and FRS 111) have to be applied together.

However, an entity may start including disclosures in FRS 112 into their financial statements without early adopting FRS 112 (and thereby the other four standards).

FRS 113 *Fair Value Measurement*

Background

FRS 113 establishes a single framework for measuring fair value where that is required by other standards. FRS 113 applies to both financial and non-financial items measured at fair value. FRS 113 scopes out measurement of transactions within the scope of FRS 102 *Share-based Payment*, FRS 17 *Leases*, and net realisable value under FRS 2 *Inventories*, and value in use under FRS 36 *Impairment of Assets*.

FRS 113 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. It does not include requirements on when fair value measurement is required. Instead, it prescribes how fair value is to be measured if another FRS requires it.

Requirements

(i) Definition of fair value

FRS 113 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” i.e. “exit price”.

(ii) Measurement guidance

To arrive at an appropriate measure of fair value, the following needs to be determined:

- The unit of account for the asset or liability to be measured at fair value (as determined by the relevant FRS applicable to the asset or liability)
- the principal (or most advantageous) market for the asset or the liability;
- for a non-financial asset, the highest and best use of the asset (and whether the asset is used in combination with other assets or on a stand-alone basis) is to be determined;
- the appropriate valuation technique to use, focusing on inputs a market participant would use when pricing the asset or liability; and
- the assumptions that market participants would use when pricing the asset or liability.

For liabilities or equity instrument of an entity, the fair value is determined under the assumption that the instrument is transferred – not based on settlement or extinguishment cost.

A limited exception from determining unit of account is allowed for an entity that holds a group of financial assets and financial liabilities with offsetting positions in particular market risks or counterparty credit risks (both as defined in FRS 107 *Financial Instruments: Disclosures*), and manages those risks on the basis of an entity’s net exposure on those risks. The exception allows the entity, subject to certain criteria, to measure the fair values of the net asset/liability position in a manner consistent with how market participants would price the net risk position.

FRS 113 also describes three valuation techniques an entity might use to determine fair value:

- The market approach;
- The income approach; and
- The cost approach.

A valuation technique should be selected and consistently applied to maximise the use of relevant observable inputs (and minimise unobservable inputs).

For premiums and discounts, these should be excluded from fair value measurement where it is inconsistent with the unit of account for the item e.g. blockage factor reducing the price that could be achieved on disposal of an entire large equity holding.

(iii) Disclosures

FRS 113 requires a number of quantitative and qualitative disclosures about fair value measurements – many relating to the three level hierarchy used in FRS 107.

The disclosures are required not only for financial instruments, but also for all other assets and liabilities measured within the scope of FRS 113.

Some disclosure requirements differ depending on whether the fair value calculation is performed on a recurring (done at each reporting period) or non-recurring (done in particular circumstances e.g. on business combinations under FRS 103).

Effective date and transition

FRS 113 is effective for annual periods beginning on or after 1 January 2013. Early application is permitted. The standard is to be applied prospectively from the beginning of the annual period in which it is adopted.

SFRS for Small Entities

SFRS for Small Entities

The ASC has adopted *IFRS for Small and Medium-sized Entities* issued by the IASB, without modification. The Singapore equivalent is called *SFRS for Small Entities*.

An entity is eligible to use the SFRS for Small Entities if:

- (I) it is not publicly accountable; and
- (II) it qualifies as a Small Entity by virtue of it satisfying two out of the three threshold criteria as prescribed by the ASC.

(I) An entity is deemed to be publicly accountable if:

- (a) Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (such as a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- (b) It is a deposit-taking entity and/or holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, insurance companies, securities brokers/dealers, mutual funds and investment banks, or

(The ASC has clarified that all regulated or exempt financial institutions are not permitted to use the SFRS for Small Entities, except for money changers, financial advisers, insurance brokers, captive insurers and Lloyds Asia Scheme service companies. These entities may elect to use the SFRS for Small Entities only if they meet the qualifying criteria in (II) below.)

- (c) It is a public company defined under the Singapore Companies Act, or
- (d) It is a charity defined under the Charities Act, or
- (e) It is a credit society defined under the Co-operative Societies Act or a society deemed to be a credit society under the Co-operative Societies (Amendment) Act 2008.

(III) An entity qualifies as a Small Entity if it satisfies two of the following three criteria (determined on a consolidated basis):

- (a) Total annual revenue of not more than S\$10 million;
- (b) Total gross assets of not more than S\$10 million; and
- (c) Number of employees not more than 50.

The ASC provides transitional relief for entities that fall in and out of the eligibility threshold criteria due to year-on-year fluctuation in financial / operational results, by requiring the preparation of financial statements under the full FRS only if the entity fails to satisfy the prescribed threshold criteria for two consecutive years. Likewise, an entity that prepares financial statements based on the full FRS is eligible to apply the *SFRS for Small Entities* only if it has satisfied the prescribed threshold criteria for two consecutive years.

The *SFRS for Small Entities* is available for eligible entities to apply for financial periods beginning on or after 1 January 2011.

The following is a summary of *SFRS for Small Entities*.

SFRS for Small Entities

The *SFRS for Small Entities* is a self-contained Standard, incorporating accounting principles that are based on full FRSS but that have been simplified to suit the entities within its scope. By removing some accounting treatments permitted under full FRSS, eliminating topics and disclosure requirements that are not generally relevant to Small Entities, and simplifying requirements for recognition and measurement, the *SFRS for Small Entities* reduces the volume of accounting requirements applicable to Small Entities by more than 90 per cent when compared with the full set of FRSS.

Where financial statements are prepared using the Standard, the basis of presentation note (and, where applicable, the auditor's report) would refer to compliance with the *SFRS for Small Entities*.

The Standard includes a section on transition which contains all of the exemptions in FRS 101 *First-time Adoption of Financial Reporting Standards*— with additional simplifications in relation to comparative information. FRS 101 requires an entity's first FRS financial statements to include at least one year of comparative information under FRSS. The *SFRS for Small Entities* provides some relief from this by including an 'impracticability' exemption. Similarly, it provides an impracticability exemption with respect to restating the opening statement of financial position.

Topics that have been omitted from the SFRS for Small Entities

The *SFRS for Small Entities* does not address the following topics that are dealt with in full FRSS, because these topics are not generally relevant to Small Entities:

- earnings per share;
- interim financial reporting;
- segment reporting;
- insurance (because entities that issue insurance contracts will not be eligible to use the *SFRS for Small Entities*); and
- assets held for sale.

Accounting treatments disallowed under the SFRS for Small Entities

The *SFRS for Small Entities* does not allow the following accounting treatments that are available under full FRSS (generally because a simplified method is available to Small Entities):

- the revaluation model for property, plant and equipment and intangible assets;
- proportionate consolidation for investments in jointly controlled entities;
- for investment property, measurement is driven by circumstances rather than allowing an accounting policy choice between the cost and fair value models. Under the *SFRS for Small Entities*, if an entity can measure the fair value of an item of investment property reliably without undue cost or effort, it must use fair value. Otherwise cost is applied;
- various options for government grants permitted by FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;
- capitalisation of borrowing costs;
- capitalisation of development costs; and
- deferral of actuarial gains and losses of defined benefit pension plans.

Regarding financial instruments, the Standard drops the 'available-for-sale' and 'held-to-maturity' categories of FRS 39, has no fair value option, and has simplified hedge accounting and derecognition requirements. However, there is a fall-back that allows entities to choose to apply FRS 39 in its entirety instead of the financial instrument requirements in the *SFRS for Small Entities*. This is the only fall-back option to full FRSs in the *SFRS for Small Entities*.

SFRS for Small Entities recognition and measurement simplifications

The main simplifications to the recognition and measurement principles in full FRSs are:

Financial instruments

- Financial instruments meeting specified criteria are measured at cost or amortised cost. All others are measured at fair value through profit or loss. This avoids the inherent complexities of classifying financial instruments into four categories, such as assessing management's intentions and dealing with 'tainting provisions'.
- The *SFRS for Small Entities* establishes a simple principle for derecognition. The 'pass-through' and 'continuing involvement' tests in full FRSs are dropped.
- Hedge accounting requirements, including the detailed calculations, are simplified and tailored for Small Entities.

Goodwill and other indefinite-life intangible assets

- Goodwill and other indefinite-life intangible assets are always considered to have finite lives. Therefore, such assets are amortised over their estimated useful lives. If the useful life cannot be estimated, then the assets are amortised over 10 years. An impairment test is performed only if there is an indication of impairment (full FRSs would require the test at least annually).
- Investments in associates and joint ventures can be measured at cost unless there is a published price quotation (when fair value must be used).
- All research and development costs, and borrowing costs, must be expensed.
- Residual value, useful life and depreciation method for items of property, plant and equipment, and amortisation period/method for intangible assets, only need to be reviewed if there is an indication they may have changed since the most recent annual reporting date (full FRSs requires an annual review).

Defined benefit plans

- All past service cost must be recognised immediately in profit or loss.
- All actuarial gains and losses must be recognised immediately either in profit or loss or other comprehensive income.
- An entity is only required to use the projected unit credit method to measure its defined benefit obligation and the related expense if it is possible to do so without undue cost or effort.

Others

- There is no separate asset held-for-sale classification. Instead, holding an asset (or group of assets) for sale is an impairment indicator.
- Exchange differences recognised initially in other comprehensive income are not reclassified to profit or loss on disposal of the related investment. This eliminates the need for tracking such exchange gains or losses after initial recognition.
- The directors' best estimate of the fair value of an equity-settled share-based payment is used to measure the expense if observable market prices are not available.

Reductions in disclosure requirements

The disclosure requirements in the *SFRS for Small Entities* are substantially reduced when compared with those in full FRSs. Disclosures required by full FRSs have been omitted from the *SFRS for Small Entities* for two principal reasons, i.e. either:

- they relate to topics or accounting policy options in full FRSs that are omitted from the *SFRS for Small Entities*, or they relate to recognition and measurement principles in full FRSs that have been replaced by simplifications in the *SFRS for Small Entities*; or
- they are not considered appropriate based on users' needs and/or cost-benefit considerations. For example, some disclosures in full FRSs are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical Small Entities.

Additional guidance material

The *SFRS for Small Entities* is accompanied by an implementation guidance consisting of illustrative financial statements and a presentation and disclosure checklist.

Maintenance of the SFRS for Small Entities

The ASC intends to follow the developments of the IASB as closely as possible to ensure convergence in the accounting standards. The IASB expects to undertake a thorough review of preparers' experience in applying the *IFRS for Small and Medium-sized Entities* when two years of financial statements using the standard have been published by a broad range of entities. The IASB expects to propose amendments to address implementation issues identified in that review. It will also consider new and amended IFRSs that have been adopted since the *IFRS for Small and Medium-sized Entities* was issued in 2009.

After that initial implementation review, the IASB expects to propose amendments to the *IFRS for Small and Medium-sized Entities* by publishing an omnibus exposure draft approximately once every three years. In developing those exposure drafts, it expects to consider new and amended IFRSs that have been adopted in the previous three years as well as specific issues that have been brought to its attention regarding possible amendments to the *IFRS for Small and Medium-sized Entities*.

It intends the three-year cycle to be a tentative plan, not a firm commitment. On occasion, it may identify a matter for which amendment of the *IFRS for Small and Medium-sized Entities* may need to be considered earlier than in the normal three-year cycle. Until the *IFRS for Small and Medium-sized Entities* is amended, any changes that it may make or propose with respect to full IFRSs do not apply to the *IFRS for Small and Medium-sized Entities*.

Exposure Drafts in issue as at 31 December 2011

Exposure Drafts

- ED Improvements to Financial Reporting Standards 2011
- ED Proposed amendments to FRS 33 - *Simplifying Earnings per Share*
- ED *Rate Regulated Activities*
- ED Measurement of Liabilities in FRS 37 (Limited re-exposure of proposed amendment to FRS 37 issued in 2005)
- ED *Revenue from Contracts with Customers*
- ED *Leases*
- ED *Insurance Contracts*
- Draft Interpretation *Stripping Costs in the Production Phase of a Surface Mine*
- *Financial Instruments* project Exposure Drafts
 - ED *Classification and Measurement*
 - ED *Fair Value Option for Financial Liabilities*
 - ED *Derecognition*
 - ED *Amortised Cost and Impairment*
 - ED *Hedge Accounting*
 - ED *Offsetting Financial Assets and Financial Liabilities*
- ED *Investment Entities*
- ED FRS 101 *First-time Adoption of Financial Reporting Standards – Government Loans*
- ED Amendments to FRS 110 *Consolidated Financial Statements – Transition Guidance*

ED *Improvements to Financial Reporting Standards 2011* (Annual improvements process)

A summary of the key amendments is set out in the table below. These amendments, if made, will be effective for annual periods beginning on or after January 1, 2013, although earlier adoption will be allowed.

Standard	Subject of amendment	New requirements
FRS 1 <i>Presentation of Financial Statements</i>	Clarification of requirements for comparative information	<p>The proposed amendment clarifies that additional financial statement information is not necessary for comparative periods beyond the minimum stipulated in FRS 1. If additional comparative financial information is disclosed, it should be presented in accordance with FRS.</p> <p>The proposed amendment also clarifies that when an entity changes its accounting policies, or makes retrospective restatements or reclassifications:</p> <p>(a) the opening statement of financial position should be presented as at the beginning of the required comparative period; and</p> <p>(b) related notes are not required to accompany this opening statement of financial position.</p>
FRS 16 <i>Property, Plant and Equipment</i>	Classification of servicing equipment	The proposed amendment clarifies that servicing equipment should be classified as property, plant and equipment when it is used during more than one period, and as inventory if otherwise.
FRS 32 <i>Financial Instruments: Presentation</i>	Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction.	The proposed amendment clarifies that income tax relating to distributions to holders of an equity instrument, and income tax on relating to transaction costs of an equity transaction should be accounted for under FRS 12 <i>Income Taxes</i> .
FRS 34 <i>Interim Financial Statements</i>	Segment information for total assets	<p>The proposed amendment clarifies the requirements relating to segment information in interim financial statements by specifying that total assets for a particular reportable segment would be disclosed only when:</p> <p>(c) the information is regularly provided to the chief operating decision maker; and</p> <p>(d) there has been a material change to the total assets for that segment from the amount disclosed in the last annual financial statements.</p>

ED Proposed amendments to FRS 33 - *Simplifying Earnings per Share*

The objective of the exposure draft is to simplify the calculation of EPS and increase transparency for users of financial statements. The following are the proposed amendments:

The ED proposes that in computing basic EPS the weighted average number of ordinary shares should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period. This includes participating instruments that are classified as liabilities (but not FVTPL).

The ED also proposes to treat contracts that require the entity to buy back its own ordinary shares for cash or other financial assets that are not FVTPL (e.g. some forward purchase contracts over own equity) as if the entity had already repurchased the shares, i.e. as a reduction in the number of ordinary shares outstanding.

If an instrument (or part of an instrument in the case of an embedded derivative that is separated) is FVTPL and may result in the issue or acquisition of ordinary shares in the future, then no adjustment is required to earnings or the number of shares for either basic or diluted EPS.

In determining whether an option, warrant, or equivalent is dilutive, the existing standard looks to the average share price for the period. The ED proposes that the period end share price should be used instead. The ED also clarifies that in determining whether a forward sale contract over own equity is dilutive the treasury stock method should be used, which is the same method used for options and warrants.

In determining whether a participating instrument or a second class of shares convertible into ordinary shares is dilutive, the entity must calculate dilutive EPS assuming both conversion does and does not occur. Diluted EPS reflects the more dilutive of these scenarios.

Update

The project is currently put on hold and the date for resumption is yet to be confirmed.

ED Rate-regulated Activities

The objective of the proposals is to establish how assets and liabilities resulting from rate-regulated activities should be recognised and measured under FRS. Rate regulation is a restriction on the setting of prices that can be charged to customers for services or products. A number of regulatory methodologies exist and, for each, application can vary by regulator, the entity being regulated and the particular circumstances.

An entity shall apply this Draft FRS to its operating activities that meet the following criteria:

- (a) an authorised body (the regulator) establishes the price the entity must charge its customers for the goods or services the entity provides, and that price binds the customers; and
- (b) the price established by regulation (the rate) is designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return (cost-of-service regulation). The specified return could be a minimum or range and need not be a fixed or guaranteed return.

Update

There are no further discussions planned for this project. The IASB is currently deliberating whether to include a project addressing rate regulated activities, and if so, the scope of the project.

ED Measurement of Liabilities in FRS 37 (Limited re-exposure of proposed amendment IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* issued in 2005)

ED on amendments to FRS 37 originally proposed in 2005 sought to treat items previously described as 'contingent liabilities' more consistently in and outside a business combination. The proposed revised FRS 37 would be wider in scope and would apply to all non-financial liabilities that are not within the scope of other standards.

In 2010, the ED *Measurement of Liabilities* in FRS 37 was issued which deals with only one section of the proposed amendment to FRS 37 and addresses the measurement requirements for liabilities that are within the scope of FRS 37.

Key features of the 2010 ED:

The 2010 ED clarifies the measurement objective i.e. that a liability should be measured at the amount that the entity "would rationally pay at the end of the reporting period to be relieved of the present obligation". It proposes that that amount should be determined as the lowest of:

- the present value of the resources required to fulfil the obligation; or
- the amount an entity would have to pay to cancel the obligation; or
- the amount an entity would have to pay to transfer the obligation to a third party.

Under the proposals, the amount an entity would have to pay to cancel or transfer the obligation is the price that the counterparty or a third party would demand, plus any costs of cancellation or transfer. If there is no evidence that an entity could cancel or transfer an obligation for a lower amount, the entity should measure the liability at the present value of the resources required to fulfil the obligation.

The 2010 ED also adds guidance on applying expected value techniques. It proposes that the present value of the resources required to fulfil an obligation should be estimated taking into account:

- the expected outflow of resources (i.e. estimate the probability-weighted average of the outflows for the range of possible outcomes) and the time value of money; and
- the risk that actual outflows might differ from those expected.

Finally, the 2010 ED specifies that when the obligation is to undertake a service at a future date and there is a market for the service, the 2010 ED would require that the outflows be the amounts that the entity would rationally pay a contractor at the future date to undertake the service on its behalf. When there is not a market for the service, the 2010 ED requires the entity to estimate the amount it would charge another party at the future date to undertake the service, based on the costs the entity expects to incur and the profit margin it would require to undertake the service.

Update

To enable interested parties to see the proposed measurement guidance in the context of the proposed new IFRS as a whole, the IASB has prepared a working draft of the entire IFRS, which it expects to issue as an exposure draft.

ED Revenue from Contracts with Customers

This ED is a result of the IASB's and FASB's objectives of developing a common, comprehensive, principles-based revenue standard that can be applied consistently to complex transactions across a wide range of industries. The ED is a revised version of an original ED issued in June 2010. Some of the proposals may have significant implications for FRS reporters as they represent significant differences from current practice under FRS.

The proposals would apply to a contract with an entity's customer except for:

- financial instrument contracts;
- insurance contracts;
- leasing contracts; and
- non-monetary exchanges between entities in the same line of business to facilitate sales to customers other than the parties to the exchange (e.g. swaps of similar items).

The ED's core principle is that "an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services". The proposals list five key steps for entities to follow in recognising revenue for contracts within the ED's scope:

- (i) Step 1 – identify the contract with a customer;
- (ii) Step 2 – identify the separate performance obligations in the contract;
- (iii) Step 3 – determine the transaction price;
- (iv) Step 4 – allocate the transaction price to the separate performance obligations in the contract; and
- (v) Step 5 – recognise revenue when (or as) the entity satisfies each performance obligation.

(i) Step 1 - Identifying contracts with customers

The ED would apply to an entity's contracts with customers other than those within the scope of the leasing, insurance or financial instruments standards and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers other than the parties to the exchange.

A contract must be with a customer, can be written, oral or implied and must create enforceable rights and obligations between two or more parties. The ED provides specific criteria for entities to consider in determining whether a contract exists. If all parties to a wholly unperformed contract can unilaterally terminate the contract without penalty, a contract would not be deemed to exist. The implication of this is that entities will need to identify all customer contracts and understand their key terms to ensure that the new model is appropriately applied. This may include understanding the practices and processes for establishing contracts in an entity's legal jurisdiction and the customary business practices of an entity and its industry.

(a) Contract combination and segmentation

The ED would require that an entity combine two or more contracts that are entered into at or near the same time with the same customer (or related parties) if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration paid in one contract depends on the price or performance of the other contract; or
- goods or services in two or more of the contracts constitute a single performance obligation.

Contract segmentation would be a part of the process of identifying separate performance obligations (see further discussion below).

(b) Contract modification

The ED would require an entity to account for modifications to the scope or pricing of a contract as separate contracts if the modification results in the addition of promised goods or services that are 'distinct' and the amount of additional consideration reflects the entity's stand-alone selling price including any appropriate adjustments. Otherwise, the entity would identify the remaining performance obligations in the contract (including partially satisfied obligations) and account for the modified contract as follows:

- if the remaining goods or services are distinct from those already transferred, allocate the modified transaction price less the amount of consideration allocated to completely satisfied performance obligations to each remaining separate performance obligation;
- if the remaining goods or services are not distinct and are part of a single performance obligation that is partially satisfied at the date of modification, update the transaction price and the percentage of completion for the contract as a whole (resulting in a catch-up adjustment on a cumulative basis at the date of modification).

(ii) Step 2 – Identify the separate performance obligations in the contract

The ED proposes that a good or service would be accounted for as a separate performance obligation if it is deemed distinct.

According to the ED, a good or service is distinct if either of the following criteria is met:

- the entity regularly sells the good or service separately; or
- the customer can benefit from the good or service either on its own or together with resources that are readily available to the customer.

Notwithstanding those criteria, a good or service in a bundle of promised goods or services is not distinct, and therefore the bundle of goods or services would be treated as a single performance obligation, if both of the following criteria are met:

- the goods or services in the bundle are highly interrelated and transferring them to the customer requires the entity also to provide a significant service of integrating the goods or services in the combined item(s) for which the customer has contracted; and
- the bundle of goods or services is significantly modified or customised in order to fulfill the contract.

The restriction on unbundling "highly interrelated" elements of a contract may require careful consideration by, for example, entities that supply a core software product together with associated professional services such as customization and integration. It is possible in such circumstances that the licence and services may be combined and treated as a single performance obligation resulting in the recognition of all revenue over time.

In evaluating whether a bundle of goods or services should be accounted for as separate performance obligations, entities will need to consider a number of factors including the extent of integration, the level of customization and the sequence of when performance obligations are satisfied because a customer may not be able to use a good or service until another good or service within the same contract is delivered.

The ED further notes that, as a practical expedient, an entity may account for two or more distinct goods or services as a single performance obligation if those goods or services has the same pattern of transfer to the customer (e.g. if applying one method of measuring progress for the distinct goods or services would faithfully depict the transfer of those goods or services to the customer).

(iii) Step 3 – Determine the transaction price

The ED proposes that “the transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of a third parties.” The transaction price would include discounts, rebates, refunds, credits, incentives, performance bonuses, penalties, concessions and other similar items. The estimation would reflect available historical, current and forecasted information and would be based on either the probability-weighted amount or the most likely amount (i.e. management’s best estimate), “depending on which method the entity expects to better predict the amount of consideration to which it will be entitled. “ One method would need to be applied consistently throughout the contract.

(a) Time value of money

The ED proposes that the transaction price would be adjusted to reflect the time value of money when the financing component is significant to the contract. Given the subjectivity associated with determining whether a financing component is ‘significant’ to the contract, the ED provides factors an entity should consider in making this determination i.e.:

- the expected time period between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services;
- whether the amount of consideration would be substantially different if the customer paid in cash promptly in accordance with typical credit terms; and
- the interest rate in the contract and prevailing interest rates in the relevant market.

The ED notes that an entity should use “the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception.” In addition, as a practical expedient, if at contract inception, the period between the transfer of goods or services and ultimate payment is expected to be one year or less, an assessment or whether there is a significant financing component is not required.

(b) Non-cash consideration

The ED proposes that an entity should measure non-cash consideration at fair value if that value can reasonably be estimated. If this not the case, the consideration would be measured indirectly by reference to the stand-alone selling price of the goods or services promised. When a customer contributes goods or services which the entity then controls to facilitate an entity’s fulfilment of the contract, the entity would account for the contribution as non-cash consideration received from the customer.

(c) Consideration payable to a customer

The ED notes that “consideration payable to a customer includes amounts that an entity pays, or expects to pay, to a customer (or to other parties that purchase the entity’s goods or services from the customer) in the form of cash, credit or other items that the customer can apply against amounts owed to the entity.” Consideration payable to a customer is treated as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

(d) Collectability

The ED does not require an assessment of the customer's ability to pay the promised amount of consideration as a pre-condition for recognising revenue. Instead, the ED would require estimates of expected credit losses (both the initial estimate at the transaction date and subsequent adjustments) to be recognised in a separate line item within the statement of comprehensive income adjacent to the gross revenue line item.

Entities may need to assess the implication of any potential change to the presentation of financial results on key performance indicators such as the gross margin ratios as the effects of credit risk will now be shown within the gross margin.

(iv) Step 4 – Allocate the transaction price to the separate performance obligations in the contract

The ED proposes that an entity should allocate the transaction price to all separate performance obligations in proportion to the stand-alone selling price of the good or service underlying each of those performance obligations at contract inception (i.e. on a relative stand-alone selling price basis). When the stand-alone selling price of a good or service is not directly observable, a residual technique may be the most appropriate method for a performance obligation with a highly variable or uncertain stand-alone selling price. Discounts would generally be allocated to all separate performance obligations based on the relative stand-alone selling price unless each good or service is regularly sold separately and the observable selling price provides evidence of the performance obligation(s) to which the entire discount relates.

If the transaction price includes consideration that is contingent on a future event or circumstance, the entity would allocate that contingent amount and related subsequent changes entirely to one performance obligation when both of the following criteria are met:

- the contingent payment terms of the contract relate specifically to the entity's efforts to satisfy that performance obligation or to a specific outcome from satisfying that separate performance obligation; and
- allocating the contingent amount entirely to that particular performance obligation is consistent with the ED's allocation principle, i.e. overall it reasonably reflects the amount of consideration which the entity expects to be entitled in exchange for satisfying each performance obligation.

All other subsequent changes in the transaction price would need to be allocated to the separate performance obligations on the same basis as at contract inception. Amounts allocated to a satisfied performance obligation would be recognised as revenue, or as reduction of revenue, in the period in which the transaction price changes.

(v) Step 5 - Recognise revenue when (or as) the entity satisfies each performance obligation.

The ED proposes indicators of when a customer obtains control at a point in time and provides additional guidance that an entity must consider in determining whether control transfers continuously over time (including clarifying how an entity should measure its progress towards completion of a performance obligation that is continuously satisfied).

(a) Transfer of control at a point in time

An entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. Control includes the ability to prevent other entities from directing the use of and obtaining the benefits from an asset.

(b) Transfer of control over a period

For an entity recognise revenue over a period, it must first conclude that a performance obligation is continuously satisfied, and then select a method to measure progress towards completion. An entity satisfies a performance obligation continuously if at least one of the following two criteria is met:

1. The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced (e.g. the customer controls the work-in-progress).
2. The entity's performance does not create an asset with alternative use to the entity (e.g., the contract does not allow the entity to sell the work-in-progress to another customer or the work-in-progress is highly customised and would not be suitable for another customer) and at least one of the following criteria is met:
 - a. the customer simultaneously receives and consumes the benefit as the entity performs each task;
 - b. another entity would not need to substantially re-perform the work completed to date if that other entity were to fulfill the remaining obligation to the customer (without having access to work-in-progress or any other asset controlled by the entity); or
 - c. the entity has a right to payment (assuming that the seller complies fully with its contractual obligations) for performance completed to date and expects to fulfill the contract as promised. If the customer cannot cancel the contract, or the full contract price is payable on cancellation, this would appear to meet the criteria. If the contract can be cancelled by the customer and a fixed amount is payable on cancellation, which is lower than the total contract price, this may not be considered to be sufficient to compensate for performance to date and therefore may not satisfy this criterion.

For a customised service contract where the customer controls the work-in-progress as the asset is being assembled, the revenue associated with that service would be recognised over the period of the contract. For service contract where the customer does not control the work-in-progress, an entity would need to determine whether an asset is created with an alternative use to the entity. An asset with alternative use is an asset that the entity could readily direct to another customer. All facts and circumstances would need to be considered including the contract terms, the significance of the costs involved to reconfigure the asset, discounts that would need to be provided to sell the asset to another customer and consequences to the entity (including legal ramifications) of directing the asset to another customer. An entity that determines that an asset does not have an alternative use must also meet one of the three criteria noted above to recognise revenue over time.

In evaluating whether an entity has right to payment for performance to date, the entity must have a right to a fixed or variable amount that is intended to at least compensate the entity for its performance to date even if the customer can terminate for convenience (i.e. for reasons other than the entity's failure to perform as promised). Compensation for performance to date would include payment for recovery of the entity's costs plus a reasonable profit margin rather than compensation for only the entity's potential loss of profit if the customer cancels the contract.

There is also a subtle but significant shift in focus for construction-type activity. The existing guidance in FRS 11 *Construction Contracts* and INT FRS 115 *Agreement for Construction of Real Estate* focus on whether an item is being constructed to a customer-specific design. The ED instead focuses on whether the asset under construction has 'alternative use' to the entity. This may result in a different analysis in some cases, particularly for some property contracts.

For each separate performance obligation that an entity satisfies over time, an entity would choose a method of measuring the progress towards completion and recognise revenue by consistently applying that method. Appropriate methods of measuring progress include output methods and input methods.

If an entity uses an input method to measure progress towards completion, and goods are transferred to the customer significantly before the related services (e.g. materials that are controlled by the customer before the related service is provided by the entity), the ED indicates that the best depiction of performance may be for the entity to recognise revenue for the transfer of those goods equal to their cost (i.e. at nil margin) if:

- the cost of the transferred goods is significant relative to that total expected costs to completely satisfy the performance obligation; and
- the entity procures the goods from another entity and is not significantly involved in designing and manufacturing the goods (but the entity is acting as principal).

(c) Onerous performance obligations

The ED requires an entity to assess for individual onerous performance obligations at inception of a contract, but limits that assessment to performance obligations that are satisfied over time and which are expected, at contract inception, to be satisfied over a period greater than one year. The costs used in such a test and measurement of the onerous liability would be lower of the direct costs to satisfy the performance obligation and the amount that the entity would have to pay to exit the performance obligation if the entity is permitted under the contract to do so other than by transferring the promised goods or services.

(vi) Other considerations - warranties

The ED proposes the following accounting for warranty obligations:

- If a customer has the option to purchase a warranty separately from the entity, the entity should account for the warranty as a separate performance obligation. Hence, the entity would allocate revenue to the warranty service.
- If a customer does not have the option to purchase a warranty separately from the entity, the entity would account for the warranty as a cost accrual unless the warranty provides a service to the customer in addition to assurance that the product complies with agreed-upon-specifications (in which case the entity would account for the warranty service as a separate performance obligation).

The ED indicates that when determining whether the exception in the second criterion applies, the entity would consider whether the entity is required by law to provide a warranty, the length of the warranty coverage period and the nature of the tasks that the entity promises to perform.

(vii) Other considerations - contract costs

Cost of fulfilling a contract would be capitalised if “the costs relate directly to a contract (or a specific anticipated contract), the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future and the costs are expected to be recovered.” Examples of such cost might include direct labor and direct materials. However, general and administrative costs and costs of wasted materials would generally not be capitalised. The ED also clarifies that the costs that relate directly to a contract include costs that are incurred before the contract is obtained if those costs relate specifically to an anticipated contract (i.e. pre-contract costs).

Incremental costs of obtaining a contract with a customer should be recognised as an asset if the entity expects to recover those costs. Those incremental costs are the costs that an entity incurs in its efforts to obtain a contract with a customer and that it would not have incurred if the contract had not been obtained (for example, a sales commission). Costs that would have been incurred regardless of whether the contract was obtained should be recognised as an expense when incurred, unless they are explicitly chargeable to the customer regardless of whether the contract is obtained.

As a practical expedient, acquisition costs incurred may be expensed instead of capitalised for those contracts with an expected duration of one year or less.

Capitalised costs should be amortised “on a systematic basis consistent with the pattern of transfer of the goods or services to which the asset relates.” The period may extend beyond the initial contract terms with the customer (e.g. considering contract renewals and related subsequent sales).

(viii) Transition

An entity would be required to apply the proposed revenue standard retrospectively, subject to the following optional reliefs:

- not restating for contracts that begin and end within the same annual reporting period and were completed before the date of initial application;
- using the final transaction price for contracts with variable consideration which were completed before the date of initial application;
- not requiring the onerous test to be performed before the date of initial application unless an onerous contract liability was recognised previously; and
- not requiring disclosures for prior periods of the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

When an entity applies the standard retrospectively subject to any of the above reliefs, it would be required to state which reliefs have been taken and provide a qualitative assessment of the likely effect of applying those reliefs.

An entity would apply any expedients consistently to all reporting periods presented. In addition, an entity would disclose the expedients that have been used and, to the extent reasonably possible, a qualitative assessment of the estimated effect of applying each of those expedients.

The ED's provision of some relief from full retrospective application of the new standard will alleviate some concerns about the cost and effect to apply the proposals retrospectively. However, even with the availability of the reliefs, the adoption of the final standard may require a significant amount of cost and effort.

- Entities may need to review their internal information systems to determine if there is a need to modify their internal systems, controls and processes to gather necessary information to comply with the new disclosure requirements and changes in revenue recognition and cost capitalization in a consistent manner.
- Entities may need to assess the implications of any potential changes to the presentation of financial results on key performance indicators (e.g. gross margin ratios), covenants and existing contracts (e.g. remuneration agreements). Entities may also need to consider if there are any further tax implications from the revised proposals. Stakeholder education may be necessary to explain any potential changes to the financial statements.
- Entities will need to consider the effects of the revised proposals as they negotiate new contractual arrangements and modify existing agreements.
- The application of various aspects of the revised proposal will require judgment and estimation.

The IASB will not make a final decision on the effective date of the new standard until they complete their deliberations on the revised proposals in 2012. However, the IASB tentatively decided that the effective date of the proposed standard would not be earlier than for annual reporting periods beginning on or after 1 January 2015, with the IASB permitting early application.

ED Leases

The exposure draft proposes to eliminate the distinction between operating leases and finance leases and introduces new accounting models for lessees and lessors. Lessees would no longer be permitted to treat leases as “off-balance sheet” financings but instead would be required to recognise an asset and liability for all leases within the scope of the proposals.

The exposure draft has significant implications for lessors and lessees. It would affect key performance metrics e.g. an increase in assets and liabilities could result in lower asset turnover ratios, lower return on capital, and an increase in debt to equity ratios which could impact borrowing capacity or compliance with loan covenants.

Scope

Contracts specifically identified as not being within the scope of the ED are:

- leases of intangible assets,
- leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources,
- leases of biological assets, and
- leases between the date of inception and date of commencement of a lease if they meet the definition of an onerous contract under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Investment properties

A lessee of investment property that elects to measure the property at fair value under FRS 40 *Investment Property* would measure the right-of-use asset in accordance with FRS 40 after initial recognition. Changes in the liability to make lease payments after initial recognition would be recognised in profit or loss. Also, a lessor that leases investment property to others would not apply the proposals if the lessor elects to measure the property at fair value in accordance with FRS 40. For lessors that use the fair value model, the ED proposes to amend FRS 40 to require income on investment property to be recognised on a straight-line basis over the lease term.

Purchases or sales

Contracts that represent the purchase or sale of the underlying asset would be scoped out of the proposed standard and accounted for under existing FRSs. A contract would be considered a purchase or a sale if at the end of the term the contract transfers:

- control of the underlying asset; and
- all but a trivial amount of the risks and benefits associated with the entire underlying asset to another entity. The transfer of title of the underlying asset, in and of itself, would not be sufficient for an entity to conclude that the transaction should be considered a purchase or sale. All but a trivial amount of the risks and benefits must also be transferred to the lessee.

Short-term leases

The ED defines a short-term lease as “a lease that, at the date of commencement of the lease, has a maximum possible lease term, including options to renew or extend, of twelve months or less”. A lessee still would need to record a right-of-use asset and a corresponding liability but could elect, on a lease-by-lease basis, to measure the liability at the undiscounted amount of the lease payments and the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs.

A lessor could elect, on a lease-by-lease basis, not to recognise a lease receivable or a liability but continue to recognise the underlying asset and recognise lease payments in profit or loss over the lease term.

Contracts that contain both lease and service components

If a contract contains a lease, but also contains a service component, the ED would generally not apply to the “distinct” service components within the contract. A service component would be considered distinct if the entity or another entity either sells an identical or similar service separately or the entity could sell the service separately because the service has a distinct function and a distinct profit margin.

If the service component is not distinct (or if they are unable to allocate the payments between the distinct service and lease components), lessees and lessors that apply the performance obligation approach⁽¹⁾ would treat the entire contract as a lease. Lessors that apply the derecognition approach⁽¹⁾ would be required to allocate the payments between the service and lease components on a reasonable basis even if the service component is not distinct.

⁽¹⁾The performance obligation and derecognition approach is discussed below.

The determination of whether a service component is distinct is made at lease inception. If the payments required under the contract change after the commencement of the lease, an entity would determine the amount of the change attributable to the lease and service components. If such a determination is not possible, an allocation applying the same proportion as used at the date of commencement would be acceptable.

Lessee accounting

The lessee accounting model is based on a right-of-use approach. Upon lease commencement, the lessee obtains a right to use an asset for a specified period and would recognise an asset reflecting that right and a liability for its obligation to pay rentals. The proposed model differs from the current lease accounting model where a lessee accounts for its right to use the leased asset either by recognising an asset and liability (i.e. capital/finance lease) or as an executory contract (i.e. operating lease) depending on the terms of the lease.

Other than short-term leases, the initial measurement of the obligation to make lease payments would be at the present value of the lease payments, discounted using the lessee’s incremental borrowing rate or the rate the lessor charges the lessee, if it can be readily determined. The right-of-use asset would be initially measured at the same amount as the obligation to make lease payments plus any initial direct costs. The two key components that a lessee must take into account when initially measuring the right-of-use asset and the lease liability are (1) the lease term and (2) the lease payments – both of these concepts are discussed in more detail below.

Lease term

According to the ED, the lease term is defined as “the longest possible term that is more likely than not to occur”. An entity would need to estimate the probability that each possible lease term would occur by taking into account explicit and implicit renewal options or early termination options included in the contract and by operation of the statutory law. The ED lists out factors that a lessee would consider in assessing the probability of each possible lease term.

The current lease accounting model requires renewal options to be included in the accounting lease term if they are “reasonably certain” of being exercised. Current practice has generally interpreted “reasonably certain” as a high threshold. As a result, it is likely that the lease term under the proposed model would be longer, or at least as long, as the accounting lease term under FRS 17. In addition, lessees will need to consider carefully all renewal options – including “month-to-month” renewals where a lessee has the unilateral right to continue using the leased asset on a month-to-month basis at the end of the contractual lease term – as part of this analysis.

Lease payments

The proposals would require a lessee to determine the lease payments payable during the lease term using an expected outcome approach that is described in the ED as “the present value of the probability-weighted average of the cash flows for reasonable number of outcomes”. The lease payments include estimates of contingent rentals, payments under residual value guarantees between the lessee and lessor and payments to the lessor under term option penalties.

The inclusion of contingent rentals using an expected outcome approach would represent a significant change from the current lease accounting model that generally excludes contingent rentals from minimum lease payments. The need to develop scenarios and probabilities based on information that could differ from lease to lease could make this requirement costly and time-consuming for many entities.

Lessor accounting

The ED proposes two accounting models for lessors – the performance obligation approach and the derecognition approach. The model to apply for a particular lease contract would be based on whether the lessor retains significant risks and benefits associated with the underlying asset. A lessor that retains exposure to significant risks or benefits associated with the underlying asset would apply the performance obligation approach; otherwise, the lessor would apply the derecognition approach. The determination on the appropriate model to apply would be made at inception of the lease and would not be reassessed.

Performance obligation approach

Under the performance obligation approach, the lessor has a performance obligation to permit use of the underlying asset during the lease term. A lessor would recognise an asset for its right to receive lease payments equal to the sum of the present value of the lease payments, including initial direct costs incurred by the lessor, discounted using the rate charged by the lessor. A lessor would not derecognise the underlying asset.

The initial measurement of the lease receivable at the date of inception of the lease would be based on the longest possible lease term that is more likely than not to occur determined using an expected outcome approach (like the approach used by the lessee as described above), and includes contingent rentals and residual value guarantees provided by the lessee if these amounts can be “measured reliably”.

The lease payment receivable would be measured subsequently at amortised cost using the effective interest method. The liability would be amortised on the basis of the pattern of use of the underlying asset by the lessee (e.g. hours of use or units produced) or on a straight-line basis if the pattern of use cannot be determined reliably.

A lessor would be required to reassess the carrying amount of the lease receivable if there is a change in facts or circumstances that indicates that there is a significant change to the reported amount of the lease receivable.

A lessor would present the underlying asset, lease receivable, and lease liability on a gross basis in the statement of financial position, with a total of these items as a net lease asset or net lease liability. A lessor would present in profit or loss the interest income on the lease receivable, lease income resulting from the satisfaction of the performance obligation and depreciation expense separately.

Derecognition approach

Under the derecognition approach, the obligation to deliver the asset to the lessee is the performance obligation and it is satisfied at lease commencement. A lessor would recognise an asset for the right to receive rental payments measured at the present value of the lease payments discounted using the rate the lessor charges the lessee plus any initial direct costs incurred by the lessor. It will remove a portion of the carrying amount of the underlying asset from its statement of financial position and reclassify as a residual asset the portion of the carrying amount of the underlying asset that represents the lessor's rights in the underlying asset that it did not transfer.

The lessor would measure the lease receivable at amortised cost using the effective interest method. The residual asset would not be remeasured unless there is a change in lease term or the asset is impaired.

Additionally, at the date of commencement of the lease, a lessor would recognise lease income representing the present value of the lease payments and lease expense representing the cost of the portion of the asset derecognised. These amounts would be classified as revenue and cost of sales if generated in the course of the lessor's ordinary activities.

The expected lease payments (including the lease term, contingent rentals, term option penalties and residual value guarantees) would be reassessed at each reporting period if any new facts or circumstances indicate a significant change in the right to receive rental payments.

A lessor would present the lease receivable separately from other financial assets. The residual assets would be presented separately within property, plant and equipment. The presentation in profit or loss will either be gross or net in a single line item, on the basis of the lessor's business model. If a lessor's business model is to use leasing arrangements for the purposes of providing finance, then the lessor would present income and expense net. However, manufacturers and dealers that utilise leasing as an alternative way to sell their products that would otherwise sell would present income and expenses gross as revenue and cost of sales. Also, a lessor would present interest income on its leased assets separately from other interest income.

Sale and leaseback transactions

An entity may enter into contracts to transfer an asset to another party and then lease that asset back. The contracts taken together would be considered a "sale and leaseback transaction" if they are "entered into at or near the same time, negotiated as a package with a single commercial objective or performed either concurrently or consecutively."

According to the ED, if the transaction meets the criteria to be considered a sale and leaseback transaction and meets the conditions for a sale (i.e. control of the underlying asset has been transferred along with all but a trivial amount of the risks and benefits associated with the underlying asset), the transferor would account for the transaction as a sale in accordance with other applicable FRSs and for the right-of-use asset and obligation to make lease payments in accordance with the proposed guidance for lessees. Likewise, a transferee would account for the transaction as a purchase in accordance with other applicable FRSs and the lease in accordance with the performance obligation approach.

The ED lists conditions that would normally preclude purchase and sale accounting. If the transaction is not a sale or purchase, the transferor would account for the contract as a financing with the amount received recognised as a financial liability and the transferee would recognise the amount paid as a receivable in accordance with applicable FRSs.

If the consideration for a purchase or sale and the lease payments are not at fair value, the transferor adjusts (1) the right-of-use asset to reflect current market rates and (2) the gain or loss by any difference between the present value of lease payments based on the terms specified in the lease and the present value of the lease payments based on current market rates. A transferee adjusts the carrying amount of the underlying asset and the lease liability it recognises under the performance obligation approach to reflect current market rates for the lease payments for that lease contract.

The proposed sale and leaseback rules could represent a significant change to the current accounting under FRS 17. Under the ED, an entity that sells an asset and subsequently leases that asset back needs to consider carefully its continuing involvement with the underlying asset before recognising a sale. Many of the conditions listed in the ED that may preclude sale and leaseback accounting may not be considered under current practice.

Disclosure

The ED would significantly increase the required disclosures related to lease arrangements. An entity would be required to disclose quantitative and qualitative information that “identifies and explains the amounts recognised in the financial statements arising from leases” and “describes how leases may affect the amount, timing and uncertainty of the entity’s future cash flows”. Disclosures would need to be disaggregated to a level so that the information provided is useful to the users of the financial statements.

Disclosures would include, among others, descriptions of the terms of contingent rentals, renewal options, and residual value guarantees as well as information about changes in assumptions and judgements relating to options, contingent rentals, residual value guarantees and discount rates. The ED would also require both lessees and lessors to provide a reconciliation between opening and closing balances of assets and liabilities related to lease arrangements.

Update

On 21 July 2011, the IASB and the FASB, which have been working jointly on the leasing project, released their intention to re-expose the ED on leasing because of the large number of changes being made to the initial ED.

The IASB has made a number of tentative decisions to amend the above proposals, and these are expected to be incorporated in the re-exposed ED. The re-exposed document is expected in the first quarter of 2012 and is expected to have a 120-day comment period.

ED Insurance Contracts

The ED is a result of a more comprehensive review of insurance accounting subsequent to the issuance of FRS 104. FRS 104 was issued in 2004 as an interim standard that permitted many existing international accounting practices at that time to be retained.

Key features of the ED:

The ED proposes a comprehensive measurement approach for all types of insurance contracts issued by entities (and reinsurance contracts held by entities), with a modified approach for some short-duration contracts. The approach is based on the principle that insurance contracts create a bundle of rights and obligations that work together to generate a package of cash inflows (premiums) and outflows (benefits and claims). An insurer would apply to that package of cash flows a measurement approach that uses the following building blocks:

- (a) a current estimate of the future cash flows
- (b) a discount rate that adjusts those cash flows for the time value of money
- (c) an explicit risk adjustment
- (d) a residual margin.

For most short-duration contracts, a modified version of the measurement approach would apply:

- (a) During the coverage period, the insurer would measure the contract using an allocation of the premium received, on a basis largely similar to much existing practice.
- (b) The insurer would use the building block approach to measure claims liabilities for insured events that have already occurred.

Update

The topic is still under discussion, and the IASB may consider issuing a re-exposure of an amended draft IFRS in early 2012.

Draft Interpretation *Stripping Costs in the Production Phase of a Surface Mine*

The following summary is prepared based on IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* issued by the IFRS Interpretations Committee on the assumption that the ASC will adopt an equivalent Interpretation in due course.

Background

IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. In surface mining operations, entities may need to remove waste materials to access mineral ore deposits. The material removed during the production phase will often be a combination of ore and waste that can vary in grade. The removal of low grade materials may produce useable inventory as well as providing access to deeper levels of higher grade material.

Issue

IFRIC 20 addresses the following issues:

- recognition of production stripping costs as an asset;
- initial measurement of the stripping activity asset; and
- subsequent measurement of the stripping activity asset.

Consensus

The costs from a stripping activity which provide improved access to ore should be recognised as a non-current asset (“stripping activity asset”) when certain criteria are met, whereas the costs of normal ongoing operational stripping activities should be accounted for in accordance with the principles of FRS 2 *Inventories*.

The stripping activity asset should be accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

The stripping activity asset should be initially measured at cost and subsequently carried at cost or its revalued amount less depreciation or amortisation and impairment losses.

Entities will need to consider carefully the identification of the ore body or component of ore body to which capitalised costs relate as this will determine how the asset is depreciated.

Effective date and transition

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013, with early application permitted.

ED *Financial Instruments: Classification and Measurement* (IFRS 9 project)

The following summary is prepared based on IFRS 9 on *Classification and Measurement of Financial Assets* issued by the IASB on the assumption that the ASC will adopt an equivalent standard in due course. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities.

New requirements for impairment and hedge accounting are expected to be added to IFRS 9. As a result, IFRS 9 will eventually be a complete replacement for IAS 39 *Financial Instruments: Recognition and Measurement*. An early adopter of IFRS 9 continues to apply IAS 39 for other accounting requirements for financial instruments within its scope that are not covered by IFRS 9 (e.g. impairment of financial assets, hedge accounting, etc.).

In summary, IFRS 9 requires recognised financial assets that are currently in the scope of IAS 39 to be measured at either amortised cost or fair value. The classification and measurement requirements for financial liabilities remain largely similar as under IAS 39 with the exception of own credit risk (see below).

Debt instruments

A debt instrument (e.g. loan receivable) that (1) is held within a business model whose objective is to collect the contractual cash flows (i.e. "business model test") and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. "contractual cash flow characteristic test") generally must be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). A fair value option is available (provided that certain specified conditions are met) as an alternative to amortised cost measurement.

Business Model Test

IFRS 9 includes guidance on how the business model test is met. For instance, the assessment of a business model is made at a level higher than individual instrument (e.g. portfolio or business unit level). Thus, a business model test is not based on management's intent for individual instruments. In addition, IFRS 9 also includes guidance on reclassification requirements when an entity changes its business model for managing financial assets.

Contractual Cash Flow Characteristic Test

As for contractual cash flow tests, the concept in IFRS 9 is that only instruments with contractual cash flows of principal and interest on principal (hereafter referred to as "principal and interest") may qualify for amortised cost measurement. IFRS 9 describes interest as consideration for the time value of money and the credit risk associated with the principal outstanding during a particular period of time. Therefore, an investment in a convertible loan note would not qualify because of the inclusion of the conversion option which is not deemed to represent payments of principal and interest.

The application guidance to IFRS 9 includes examples of contractual cash flows that are payments of principal and interest on the principal amount outstanding and those that are not payments of principal and interest on the principal amount outstanding.

Fair Value Option

An entity may irrevocably elect on initial recognition to measure a financial asset at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

For example, an entity may hold a fixed rate loan receivable that it commercially hedges with an interest rate swap, with matching terms, that swaps the fixed rate to a floating rate. Assuming the conditions for amortised cost measurement are met, measuring the loan asset at amortised cost would create a measurement mismatch with the interest rate swap held at FVTPL. In this case the loan receivable could be designated at FVTPL under the fair value option to reduce the measurement mismatch that arises from measuring the loan at amortised cost.

Equity instruments

All equity investments within the scope of IFRS 9 are to be measured on the statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income (FVTOCI) with only dividend income recognised in profit or loss.

If the equity investment is designated as at FVTOCI then all gains or losses (except dividend income) are recognised in other comprehensive income without any subsequent reclassification to profit or loss (although a transfer of the cumulative gain within equity is permitted). Dividend income is recognised in profit or loss in accordance with IAS 18 Revenue. Designation as at FVTOCI means that the current requirements in IAS 39 to perform an assessment of impairment and to reclassify cumulative fair value gains or losses on disposal no longer apply because all fair value movements other than dividend income remain permanently in equity.

The current exemption in IAS 39 that requires unquoted equity investments to be measured at cost less impairment where fair valuation is not sufficiently reliable is not available under the new Standard. However, IFRS 9 does contain guidance on when cost might be the best estimate of fair value of an unquoted equity investment that is difficult to value because of little or no timely or relevant information. It also gives examples of when cost will not be representative of fair value such as when there has been a significant change in the performance of the investee compared with budgets, plans or milestones.

Derivatives

All derivatives within the scope of IFRS 9 are required to be measured at fair value. This includes derivatives that are settled by the delivery of unquoted equity instruments, however, in limited circumstances cost may be an appropriate estimate of fair value.

Derivatives embedded in a financial host (asset) that is within the scope of IFRS 9 shall not be bifurcated. Instead the contractual cash flow of the hybrid financial asset (i.e. financial host and the embedded derivative) are assessed in their entirety and the hybrid financial asset as a whole is required to be classified as FVTPL if any of its cash flows do not represent payments of principal and interest. The embedded derivative concept is retained for all hybrid financial liabilities and asset host contracts that are outside the scope of IAS 39.

Effective date

An entity shall apply this IFRS for annual periods beginning on or after 1 January 2015⁽¹⁾.

Earlier application is permitted. If an entity applies this IFRS in its financial statements for a period beginning before 1 January 2015⁽¹⁾, it shall disclose that fact and at the same time apply all the consequential amendments to other IFRSs. Entities adopting the new Standard with an initial application date before 1 January 2012 will be exempt from the requirement to restate prior periods.

Note:

⁽¹⁾On 16 December 2011, the IASB postponed the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015.

ED Fair Value Option for Liabilities & ED Derecognition (IFRS 9 project)

The following summary is prepared based on IFRS 9 on *Classification and Measurement of Financial Liabilities and Derecognition* issued by the IASB on the assumption that the ASC will adopt an equivalent standard in due course.

In November 2009 the IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets (see summary above).

Classification and Measurement of Financial Liabilities

In October 2010 the IASB added to IFRS 9 the requirements related to the classification and measurement of financial liabilities. Those additional requirements are described below:

- (a) Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. Under IAS 39 most liabilities were subsequently measured at amortised cost or bifurcated into a host, which is measured at amortised cost, and an embedded derivative, which is measured at fair value. Liabilities that are held for trading (including all derivative liabilities) were measured at fair value.

Although the IASB had originally proposed a symmetrical approach for financial assets and financial liabilities in the exposure draft published in 2009, it decided to retain most of the requirements in IAS 39 for classifying and measuring financial liabilities because constituents told the IASB that those requirements were working well in practice. Consistently with its objective to replace IAS 39 in its entirety, the IASB relocated those requirements from IAS 39 to IFRS 9.

- (b) Consistently with the requirements in IFRS 9 for investments in unquoted equity instruments (and derivative assets linked to those investments), the exception from fair value measurement was eliminated for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument. Under IAS 39, if those derivatives were not reliably measurable, they were required to be measured at cost. IFRS 9 requires them to be measured at fair value.
- (c) The requirements related to the fair value option for financial liabilities were changed to address own credit risk. Those improvements respond to consistent feedback from users of financial statements and others that the effects of changes in a liability's credit risk ought not to affect profit or loss unless the liability is held for trading.

Financial liabilities held for trading, such as derivative liabilities, as well as loan commitments and financial guarantee contracts that are designated under the fair value option would continue to be measured at fair value with all changes being recognised in profit or loss. For all other financial liabilities designated as at FVTPL using the fair value option, the revised guidance about a liability's credit risk applies, requiring the amount of change in the liability's fair value attributable to changes in the credit risk to be recognised in other comprehensive income with the remaining amount of change in fair value being recognised in profit and loss.

Derecognition

The requirements in IAS 39 related to the derecognition of financial assets and financial liabilities were carried forward unchanged to IFRS 9. However, the IASB decided to improve disclosure requirements on derecognition. (see below amendments to IFRS 7 on disclosures on derecognition of financial assets).

Others

This IFRS supersedes IFRIC 9 *Reassessment of Embedded Derivatives*. The requirements on reassessment of embedded derivatives as previously set out in IFRIC 9 are added to IFRS 9.

Effective date

An entity shall apply this IFRS for annual periods beginning on or after 1 January 2015⁽¹⁾. Earlier application is permitted. However, if an entity elects to apply this IFRS early and has not already applied IFRS 9 issued in 2009, it must apply all of the requirements in this IFRS at the same time (but see also Note⁽²⁾ below). If an entity applies this IFRS in its financial statements for a period beginning before 1 January 2015⁽¹⁾, it shall disclose that fact and at the same time apply all the consequential amendments to other IFRSs.

Note –

⁽¹⁾ On 16 December 2011, the IASB postponed the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015.

⁽²⁾ For annual periods beginning before 1 January 2015, an entity may elect to apply IFRS 9 issued in 2009 instead of applying this version of IFRS 9.

ED *Amortised Cost and Impairment* (IFRS 9 project)

This exposure draft (ED) represents the next part of the project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The ED proposes principles for the measurement of financial instruments at amortised cost including a new impairment methodology based on expected losses.

The ED applies to all financial instruments that are measured at amortised cost and describes the objective of amortised cost measurement, underpinned by new measurement principles for financial assets, based on an expected cash flow methodology.

Under the proposed measurement principles, an entity would determine the initial carrying amount of a financial asset (or portfolio of financial assets) measured at amortised cost, on the basis of the present value of the future expected cash flows from the asset, taking into consideration expectations about future credit losses (referred to as the 'expected loss' approach).

Subsequent to initial recognition an entity would be required to revise its estimates of expected cash flows at each measurement date. Any resulting adjustment to the carrying amount of the financial instrument would be recognised in profit or loss. The proposed 'expected loss' approach is designed to result in earlier loss recognition compared to the 'incurred loss' approach currently in IAS 39 by taking into account future credit losses expected over the life of the financial asset measured at amortised cost.

Under this approach the initial estimate of expected future losses is gradually recognised over the life of the instrument as it is incorporated into the effective interest rate.

The ED also proposes comprehensive presentation and disclosure requirements that would enable users of the financial statements to evaluate the financial effects of interest revenue and interest expense as well as the quality of financial assets including credit risk.

If adopted, the expected loss model would involve significant costs and an extended period of implementation given the expected significant changes required to financial systems, particularly in the financial services industry.

Update

On 31 January 2011 the IASB published a supplement to the exposure draft *Financial Instruments: Amortised Cost and Impairment*. The supplement proposes amendments to the expected loss model outlined above.

The supplement proposes that certain expected losses are recognised over time, while certain impairment losses are recognised immediately in profit or loss, depending on management's expectations about the collectability of the cash flows from the financial asset.

When the entity's credit risk management objective changes for an asset - from receiving contractual payments from a debtor, to recovery of all or a portion of a financial asset - the impairment losses are recognised immediately in profit or loss.

The topic is still under discussion, and the IASB may consider issuing a re-exposure of an amended draft IFRS.

ED Hedge Accounting (IFRS 9 project)

The ED proposes a new general hedge accounting model. Proposals for a new portfolio hedge accounting model, including portfolio fair value hedging of interest rate risk, is expected to be issued separately.

Although the basic concepts in IAS 39 of fair value hedges, cash flow hedges and hedges of net investment in foreign operation are retained, the proposed rules regarding what items can qualify for hedge accounting, what instruments can be designated and the effectiveness testing requirements are generally more relaxed.

Assessing hedge effectiveness would be limited to a forward looking test with no bright line threshold (i.e. no more 80 to 125 percent offset requirement and no retrospective hedge effectiveness test). In many cases, this would not need to be a quantitative assessment, albeit quantitative measurement of ineffectiveness would still be necessary.

Hedge accounting for risk components of both non-financial and financial items would be permitted provided that they are separately identifiable and reliably measureable.

When an option is a hedging instrument, some or all of the change in its time value could be recognised in other comprehensive income, thereby reducing volatility in profit or loss compared with current IFRS.

The presentation of fair value hedges would change in the financial statements.

Hedge accounting for net positions and groups of items would be extended.

“Basis adjustments” would be mandatory for certain cash flow hedges.

Where the expected behaviour of a basis risk that is known to exist in a hedging relationship may change part way through the term of the hedge, a change in weightings of the hedged item and the hedging instrument i.e. “re-balancing” may be required. The hedging relationship that exists after a re-balancing will be treated as a continuing hedge.

Voluntary de-designation of a hedging relationship would not be permitted if the risk management objective for the hedge remains unchanged.

A hedging relationship could be altered without the reset of the hypothetical derivative.

A derivative could be included as a hedged item if combined with an eligible exposure.

Update

The IASB has made a number of tentative decisions to amend the above proposals, and these are expected to be incorporated in the final IFRS.

Macro or portfolio hedge accounting

The IASB is continuing to redeliberate macro or portfolio hedge accounting, with the objective of addressing risk management strategies referring to open portfolios (macro hedging). These were not covered by the exposure draft for general hedge accounting (as outlined above). The feedback received on the general hedge accounting model is important to those redeliberations.

ED Offsetting financial assets and financial liabilities

The ED proposes a framework for offsetting of financial assets and financial liabilities in the scope of IAS 39 and related disclosures. The following summary is prepared based on Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures issued by the IASB on the assumption that the ASC will adopt the equivalent amendments in due course.

Amendments on disclosures – IFRS 7

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. At a minimum, entities should disclose (in a tabular format, separating financial assets and financial liabilities unless another format is more appropriate) the following information:

- a) the gross amounts of those recognised financial assets and recognised financial liabilities under an enforceable master netting agreement, or similar arrangement;
- b) the amounts offset in accordance with the criteria in IAS 32;
- c) the net amounts presented in the statement of financial position ((a) less (b));
- d) the amounts subject to an enforceable master netting arrangement or similar arrangement that are not included in (b); and
- e) the net amount after deducting the amounts in (d) from the amounts in (c).

The amounts in (d) would include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. The disclosures may be grouped entirely by type of financial instrument or transaction (e.g. derivatives, repurchase and reverse repurchase agreements or securities borrowing and lending arrangements) or by type of financial instrument for items (a) – (c) and then by counterparty for items (c) – (e). If the disclosures are provided by counterparty, the counterparty is not required to be identified by name but should be separated into individually significant counterparties with immaterial counterparty exposures aggregated together (Counterparty A, Counterparty B, Other Counterparties).

Clarification on Presentation – IAS 32

The amendments clarify that to result in offset of a financial asset and a financial liability, a right to set-off must be available today rather than being contingent on a future event, and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy. Also the amendments clarify that the determination of whether the right meets the legally enforceable criterion will depend on both the contractual terms as well as the governing laws.

Entities may not have considered events of default, insolvency or bankruptcy in the assessment of offsetting rules or may have only considered the counterparty instead of all parties to the arrangement. Thus, entities may need to reconsider their existing arrangements to determine if items currently being offset would qualify for such a presentation under the amendments.

The amendments also provide clarification on which settlement processes would meet the requirement for offsetting that an entity has 'the intention to settle a financial asset and a financial liability net or simultaneously'. The realisation of a financial asset and settlement of a financial liability is simultaneous if the settlements occur 'at the same moment'. However, gross settlement that does not occur simultaneously may also meet the principle and criteria for offsetting if a single settlement process results in cash flows being equivalent to a single net amount. The amendments specify characteristics that must be met for a gross settlement system to meet the criteria for net settlement.

Effective dates of amendments to IFRS 7 and IAS 32

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the clarifying amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, also with retrospective application required.

ED *Investment entities*

The ASC published an ED on the definition of investment entities, and specifying that such investment entities would be exempted from the accounting requirements of IFRS 10 Consolidated Financial Statements (see FRS 110 above). Under the ED, an entity is required to meet the following criteria to be considered an “investment entity”:

- Nature of investment activity – The entity’s only substantive activities are investing in multiple investments for capital appreciation, investment income (such as dividends or interest), or both.
- Business purpose – The entity makes explicit commitment to its investors that the purpose of the entity is investing to earn capital appreciation, investment income (such as dividends or interest), or both.
- Unit ownership – Ownership in the entity is represented by units of investments, such as shares or partnership interests, to which proportionate shares of net assets are attributed.
- Pooling of funds – The funds of the entity’s investors are pooled so that the investors can benefit from professional investment management. The entity has investors that are unrelated to the parent (if any), and in aggregate hold a significant ownership interest in the entity.
- Fair value measurement – Substantially all the investments of the entity are managed, and their performance is evaluated, on a fair value basis.
- Disclosures – The entity provides financial information about its investment activities to its investors. The entity can be, but does not need to be a legal entity.

The ED would require an investment entity to measure its investments in controlled entities at fair value through profit or loss (“FVTPL”) in accordance with IFRS 9 (see above) or IAS 39 *Financial Instruments: Recognition and Measurement* (if IFRS 9 is not yet being applied).

The ED would not allow the parent of an investment entity to retain the IFRS 9 or IAS 39 FVTPL accounting applied by the investment entity (i.e. its subsidiary), unless the parent itself also qualifies as an investment entity.

Consequent to the ED, amendments are also proposed for IAS 28 (2011) *Investments in Associates and Joint Ventures* (see FRS 28(2011) above) to require an investment entity to measure its investments in associates and joint ventures at FVTPL in accordance with IFRS 9 or IAS 39. This is to replace the concept of “venture capital organisation, mutual fund, unit trust and similar entities” that was included in the previous IAS 28.

ED FRS 101 *First-time Adoption of Financial Reporting Standards* – Government Loans

The proposals would provide relief to first-time adopters of FRS by amending FRS 101 to permit prospective application of an amendment to FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

The amendment to FRS 20 referred to above was brought about by Improvements to FRS 2008, which requires the benefit of government loans advanced either interest free or at a below-market rate of interest to be treated as a government grant, measured as the difference between the initial carrying amount of the loan determined in accordance with FRS 39, and the proceeds received.

The above amendment is to be applied prospectively in order to avoid requiring entities to measure the fair value of loans at a past date. However, no corresponding amendment was made to FRS 101. Thus, the ED proposes to correct this oversight by permitting first-time adopters of FRS to apply the amendments above only to new loans entered into after the date of transition to FRS.

ED Amendments to FRS 110 *Consolidated Financial Statements* - Transition Guidance

The objective of the proposed amendments in this exposure draft is to provide this clarification and to make clear the intention of the transition requirements of FRS 110. The proposals are to:

- (a) explain that the 'date of initial application' in FRS 110 means 'the beginning of the annual reporting period in which FRS 110 is applied for the first time'.
- (b) clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same under FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation-Special Purpose Entities* and FRS 110. Thus, relief from retrospective application of FRS 110 would also apply to an investor's interests in investees that were disposed of during a comparative period such that consolidation would not occur under either FRS 27/INT FRS 12 or FRS 110 at the date of initial application.
- (c) clarify how an investor shall adjust comparative period(s) retrospectively if the consolidation conclusion reached at the date of initial application is different under FRS 27/INT FRS 12 and FRS 110.

The effective date of the proposed amendments would be aligned with the effective date of IFRS 10. It is therefore proposed that an entity would also apply the proposed amendments for annual periods beginning on or after 1 January 2013.

Summary of differences between FRS and IAS/IFRS

The FRSs and INT FRSs issued by the Accounting Standards Council (“ASC”) are largely aligned with the standards and interpretations under IAS/IFRS, except for certain modifications e.g. to effective dates and transitional provisions, and differences in timing of adoption. Below, we identify the key differences between FRS and IAS/IFRS as at the date of this publication:

FRS	Content	IAS /IFRS	Comments
FRS 16	Property, Plant and Equipment	IAS 16	FRS 16 exempts regular revaluation for assets on which any one-off revaluation is performed between 1 January 1984 and 31 December 1996 (both dates inclusive) or for assets that have been revalued prior to 1 January 1984, whereas IAS 16 does not give such an exemption.
FRS 27(2009), 28(2004) and 31	Consolidated Financial Statements and Accounting for Investments in Subsidiaries, Associates and Joint Ventures	IAS 27(2008), 28(2003) and 31	FRS 27 (2009) exempts a parent from presenting consolidated financial statements if its holding company produces consolidated financial statements available for public use, whereas under the revised IAS 27, such an exemption applies only if the holding company produces consolidated financial statements available for public use that comply with IFRS.
FRS 102	Share-based Payment	IFRS 2	The cut-off grant date for retrospective treatment of equity-settled share-based payment is 7 November 2002 under IFRS 2 and 22 November 2002 under FRS 102.
FRS 110, FRS 28(2011)	Consolidated Financial Statements and Accounting for Investments in Associates and Joint Ventures	IFRS 10, IAS 28(2011)	FRS 110 exempts a parent from presenting consolidated financial statements if its holding company produces consolidated financial statements available for public use, whereas under the revised IFRS 10, such an exemption applies only if the holding company produces consolidated financial statements available for public use that comply with IFRS.
ED Financial Instruments	Financial Instruments: Classification and Measurement issued in 2009 and 2010	IFRS 9	IFRS 9 is effective for annual periods beginning on or after 1 January 2013. This Standard has not been adopted in Singapore yet. ASC has deliberated the adoption of IFRS 9 and decided to defer its adoption in Singapore.

FRS	Content	IAS /IFRS	Comments
ED INT FRS	Members' Shares in Co-operative Entities and Similar Instruments	IFRIC 2	<p>IFRIC 2 is effective for annual periods beginning on or after 1 January 2005.</p> <p>This Interpretation has not been adopted in Singapore yet.</p>
INT FRS 115	Agreements for the Construction of Real Estate	IFRIC 15	<p>IFRIC 15 is effective for annual periods beginning on or after 1 January 2009 whereas INT FRS 115 is effective from 1 January 2011.</p> <p>In addition, INT FRS 115 contains an Accompanying Note that takes into account the legal framework in Singapore that is directly relevant to the application of INT FRS 115 in Singapore and summarises the ASC's considerations in reaching its consensus on the accounting treatment for a specific type of sale of uncompleted residential properties.</p>
ED INT FRS	Stripping Costs in the Production Phase of a Surface Mine	IFRIC 20	<p>IFRIC 20 is effective for annual periods beginning on or after 1 January 2013.</p> <p>This Interpretation has not been adopted in Singapore yet.</p>
RAP 8	Foreign Income Not Remitted to Singapore	IAS 12	<p>IAS 12.39 provides an exception to tax effect accounting in the case of profits that are retained in subsidiaries, branches, associates and joint ventures that would be taxable if these were to be distributed to the investor. The exception applies provided the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. IAS 12 does not extend this exception to other types of temporary differences e.g. foreign-sourced income not remitted to Singapore that would be taxable if remitted.</p> <p>RAP 12 recommends that a deferred tax liability in respect of foreign-sourced income not remitted to Singapore (e.g. interest income earned from deposits placed outside of Singapore) should be recognised and accounted for in the same way as temporary differences associated with investments in subsidiaries etc.</p>

Section 2: Other Financial Reporting Matters

Amendments to SGX–ST Listing Rules

Following the public consultation in January 2010, the SGX-ST introduced amendments to the listing rules to strengthen corporate governance practices and foster greater corporate disclosure. These amendments are undertaken to keep abreast of the challenges and developments of the industry and are part of ongoing efforts to enhance the quality of the marketplace.

The amendments are effective from 29 September 2011 and apply to both the Mainboard Listing Rules as well as the Catalist Rules where applicable.

The following is not a comprehensive summary of all the changes to the SGX-ST Listing Rules, but only those areas we believe may have an effect on financial reporting.

Rule No.	Summary of amendments
LR 105	<p>The following amendment was inserted to improve enforceability of SGX-ST rules, decisions and requirements:</p> <p><i>An issuer admitted to the Exchange's Official List must comply with the listing rules:-</i></p> <p><i>(a) in accordance with the spirit, intention and purpose; and</i></p> <p><i>(b) by looking beyond form to substance.</i></p>
1207(6)	<p>The underlined below are amendments inserted in rule 1207(6) relating to annual reports:</p> <p><i>The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:-</i></p> <p><i>(6)(a) <u>The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services. If there are no audit or non-audit fees paid, to make an appropriate negative statement.</u></i></p> <p><i>(b) Confirmation by the audit committee that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the audit committee's opinion, affect the independence of the auditors.</i></p> <p><i>(c) <u>A statement that the issuer complies with Rules 712 and Rule 715 or 716 in relation to its auditing firms.</u></i></p>
1207(10)	<p>Rule 10 was inserted to require annual reports to include the following:</p> <p><i>(10) Opinion of the board with the concurrence of the audit committee on the adequacy of the internal controls, addressing financial, operational and compliance risks.</i></p>

Rule No.	Summary of amendments
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1207(12)	<p>Rule 12 (previously Rule 11) was amended to require annual reports to include the following in relation to directors' and key executives' remuneration.</p> <p><i>The issuer should make disclosure as recommended in the Code of Corporate Governance, or otherwise, disclose and explain any deviation from the recommendation.</i></p>
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Appendix 7.2 Part I	<p>The requirement of quarterly, half-year and full year announcements now include the following:</p> <p><i>13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.</i></p>
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Appendix 7.2 Part II	<p>The requirement of full year announcements now include the following:</p> <p><i>19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.</i></p>
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Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year

Guide on sustainability reporting for listed companies

In June 2011, the SGX issued a “Guide to Sustainability Reporting for Listed Companies” (the “guide”). The guide sets out the SGX’s policy statement on sustainability reporting (the “policy statement”) as well as answers to frequently asked questions on sustainability reporting. The issuance of the guide follows a public consultation conducted in August 2010 which received positive feedback in support of disclosure and accountability for operating and developing businesses in a sustainable manner.

The SGX hopes that the guide will assist more listed companies in extending their reporting on corporate governance to environmental and social aspects of the company’s performance. Although some listed companies already lead with high standards of sustainability reporting, the SGX notes that most listed companies have not adopted sustainability reporting, perhaps due to factors such as costs, reporting scope and lack of familiarity with the process. The following are covered in the guide:

- **What is sustainability reporting and why report?**

Sustainability reporting is voluntary, but there is a growing demand for sustainability reporting globally. Mandatory reporting may even be a possible development in the future. The guide acknowledges the costs involved and the lack of experience entities may have for sustainability reporting, and provides guidance on how entities may take the first step towards sustainability reporting. The guide further explains the benefits of sustainability reporting.

- **Who should report?**

The guide explains that sustainability reporting is particularly relevant for listed companies who:

- (i) operate in industries that are susceptible to environmental and social risks;
- (ii) operate in industries that produce significant environmental pollutants;
- (iii) are heavy users of natural resources; or
- (iv) are part of a supply chain where end customers demand that suppliers and contractors behave responsibly.

The guide further elaborates that listed companies which are operating in the following high-impact sectors should set the tone and undertake sustainability reporting:

- (i) Agriculture;
- (ii) Air transport;
- (iii) Chemicals and pharmaceuticals;
- (iv) Construction;
- (v) Food and beverages;
- (vi) Forestry and paper;
- (vii) Mining and metals;
- (viii) Oil and gas;
- (ix) Shipping; and,
- (x) Water.

- **How to report?**

The guide outlines the frameworks available for sustainability reporting applicable to first time reporters (which is designed to be accessible and easy to use) and industry-specific reporting frameworks, as well as considerations in engaging external assurance services in respect of their sustainability reports.

- **What to report?**

The guide explains that since each company is unique in respect of risks and industry specific factors, the content of sustainability reports may vary across companies. The guide provides a non-exhaustive list of information that may be disclosed on general matters (e.g. Sustainability policy and goals), environmental matters (e.g. climate change disclosures) and social matters (e.g. labour practice and relations).

- **When to report?**

The guide recommends that besides disclosures on a continuing listing basis, sustainability disclosures should be made by a company on initial listing to give readers a better understanding of the company.

- **Where to report?**

The guide explains that listed companies have the flexibility to adopt the medium for sustainability reporting that is best suited and appropriate for their stakeholders and industry. Companies may present the sustainability disclosures either in the annual report or in standalone sustainability reports.

Section 3: Resources

Resources

IASPlus – www.iasplus.com - provides Deloitte IFRS e-Learning modules, newsletters, IAS/IFRS model financial statements, disclosure checklist and a wealth of information on IAS/IFRS projects and issues.

Deloitte Touche Tohmatsu – www.deloitte.com - the website provides a global e-library and links to websites of member firms around the world.

This booklet has been prepared by Deloitte Singapore for general information purposes. Users of the information may wish to contact the Corporate Communications Department for further information:

Deloitte & Touche LLP

Certified Public Accountants

6 Shenton Way #32-00

DBS Building Tower Two

Singapore 068809

Telephone: +65 6224 8288

Facsimile: +65 6538 6166

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