Financial Reporting Updates

Quarter 4 2017

Welcome to Financial Reporting Updates

This is your quarterly update on all things relating to International Financial Reporting Standards or Financial Reporting Standards. We will bring you up to speed on topical issues, provide comment and points of view as well as provide a summary of any significant developments.

Our fourth edition of 2017 starts with some important amendments on international financial reporting standards and ends with regulatory matters.

Read this issue to find out more about these key issues:

- IFRS / FRS Year - End Hot Topics and Top 10 Year – End reminders for 31 December 2017
- **ASC issued INT FRS 123** *Uncertainty over Income Tax Treatments*
- **FRS 115 Revenue Recognition for Sale of Uncompleted Residential Properties**

We will end off with regulatory matters that include:

- Areas of changes in FRSs in 2017
- FKT Illustrative Financial Statements for Listed Entities incorporated in Singapore
- Areas of changes in FRSs in 2018 and 2019 but available for adoption
- IFRS 1 *First Time - Adoption of International Financial Reporting Standards ("IFRS")* disclosure checklist

IFRS / FRS Year-End Hot Topics and Top 10 Year-End reminders for 31 December 2017

Are you preparing the IFRS / FRS financial statements? Find out more about hot topics and other reminders that may affect your year-end reporting in this guide as we touch on topics such as impairment, identifying a lease, debt vs. equity, and our top 10 year-end reminders.

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Impairment of Assets	Some common impairment indicators include declines in market value, adverse changes that have occurred or are expected to occur, damage or obsolescence of assets, or management forecasts that show declines in business. The first step in the model is identifying the cash-generating unit, or CGU, regardless of the legal form. IFRS follows a bottom-up approach, so management might test at the CGU level for goodwill purposes, but this does not satisfy the impairment assessment requirements for the individual underlying assets. The first level is the individual assets by looking at the indicators of impairment. The second level is the CGU holding the individual assets where there is no interdependent cash inflows and the last level is the group of CGUs – for intangible assets or goodwill not allocated to CGU. If the goodwill is tested for impairment at the second or third levels. The goodwill is tested for the assets and goodwill as part of the second or third level. Care should be taken so that impairment losses on lower level assets are not masked under larger groups of CGUs. Rules of impairment apply to listed and non - listed entities. Only non - listed entities need not disclose the IFRS 8 / FRS 108 *Operating Segments*.
Identifying a lease	Determining whether an arrangement contains a lease is based on the substance of the arrangement. If it is determined that an arrangement also contains a lease, the lease should be accounted for in accordance with the current leasing standard, IAS / FRS 17 *Leases* – so it should be classified as either an operating or financing lease based on the classification criteria in the standard and accounted for accordingly.
Debt vs. equity	IAS / FRS 32 *Financial Instruments: Presentation* is the IFRS standard that contains the principles for distinguishing between financial liabilities and equity. The basic principle, is that for an instrument to be classified as equity, the issuer should have an unconditional right to avoid payment of cash or another financial asset. Applying this general principle can get more complex in situations in which cash payment is contingent, if the instrument is settled in the entity's own shares, and in some other instances. Almost all contingent consideration is a liability except if the redemption is non - genuine – highly abnormal or not likely to occur or redemption is on the basis of liquidation
Debt restructurings	We continue to see many questions on the restructuring of issued debt instruments, for example loan facilities or bond financing. This is a complex area of accounting which can require significant judgement. To assist you in understanding the potential issues, some of the key accounting considerations are summarised below: • Determining whether the new and old debt have substantially different terms. Under IAS / FRS 39, where a financial liability is exchanged or its terms are modified but the liability remains between the same borrower and the same lender, it is necessary to assess if the terms are substantially different. If they are substantially different, the transaction should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. • Treatment of gain or loss on modification / extinguishment. • Treatment of fees incurred as part of the renegotiation – whether the fees should be recognised immediately (if the terms are substantially different) or whether they can be adjusted the liability's carrying amount and are amortised over the modified liability's remaining term • Use of an Intermediary – A corporate may use a bank as an intermediary when restructuring its debt. For example, when an organization wants to change the terms or maturity date of an existing bond, it may use a bank as an intermediary to buy back the original bonds and then sell the modified bonds to investors. The accounting for this is complex. A key accounting consideration in this situation is whether the bank is acting as an agent or as principal, which is highly judgmental. If the bank is not acting as principal the corporate would have to treat the modification

	of the bonds as an extinguishment with any gains/losses recognised in profit and loss. • Modifications when a credit facility is undrawn.
Top 10 year-end reminders	(1) IAS / FRS 1 *Presentation of Financial Statements* requires disclosure of entities significant accounting policies in preparing financial statements and material financial information. (2) Non-cash item is an entry on an income statement or cash flow statement correlating to expenses that are essentially just accounting entries rather than actual movements of cash. Non - cash flow should not be in cash flow statement. Examples of such expenses include: • Depreciation expense of non-current assets • Amortization expenses – For example intangible assets or any other form of amortization of costs or expenses • Impairment expenses – e.g. impairment of physical assets as well as intangible like goodwill etc. • Increase in provision expenses like: o Provision for doubtful debt expenses o Provision for discount expenses o Warranty provision expenses o Almost all kinds of expenses recognised towards provisions are unreal or non-cash in nature. • Bad debt expenses • Interest winding up expenses – these expenses are recognized when future payments of significant amounts were recognized on present value basis and with the passage of time require adjustment. • Expensing out deferred costs – advertisement expenditures or pre-commencement expenditures • Accrued expenses – i.e. all kinds of expenses that are still payable by the end of accounting period (3) Paragraphs 28 and 36 of IAS / FRS 12 *Income Taxes* require that a deferred tax asset is recognised, regardless of an entity's expectations of future losses, when there are suitable reversing taxable temporary differences. Expectations of future tax losses should be taken into account when assessing the recognition of a deferred tax asset. Deferred tax asset of the tax losses should be disclosed. (4) Assets held for sale should be disclosed where: • management is committed to a plan to sell • the asset is available for immediate sale • an active programme to locate a buyer is initiated • the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions) • the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value • actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn (5) Impairment of assets – if there is indication however there is no impairment, significant judgement should be disclosed, (6) Operating segment – Two or more operating segments may be combined as a single reportable segment if: aggregation provides financial statement users with information that allows them to evaluate the business and the environment in which it operates; n they have similar economic characteristics; and they are similar in each of the following respects: - the nature of the products and services,

	- the nature of the production processes, - the type or class of customer for their products and services, - the methods used to distribute their products or provide their services, and - the nature of the regulatory environment, i.e. banking, insurance or public utilities), if applicable (7) Liabilities – a maturity analysis of the earliest contractual undiscounted cash flows for financial liabilities based on its time band. (8) Level 3 fair value measurements – extensive disclosure of the following: • recurring and non-recurring fair value measurements, a description of the valuation technique(s) and inputs used in the fair value measurement, if there has been a change in valuation technique, the nature and reasons for the change and quantitative information about significant unobservable inputs used in the fair value measurement [IFRS 13 paragraph 93(d)]. • For recurring fair value measurements, reconciliation from the beginning balance to the ending balance should be disclosed [IFRS 13 paragraph 93(e)]. • For recurring fair value measurements, the amount of total gains or losses for the period as set out in the reconciliation noted above that is included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period and the line items in which those unrealised gains or losses are recognised [IFRS 13 paragraph 93(f). • For recurring and non-recurring fair value measurements, a description of the valuation processes used by the entity [FRS 13 paragraph 93(g) (9) Significant judgement on consolidation should be disclosed for investment in subsidiaries, associates and joint venture in accordance with IFRS 12 / FRS 112 *Disclosure of Interests in Other Entities*. (10) Related party disclosure – IAS / FRS *24 Related Party Disclosure* require key management personnel compensation, i.e.: • the amount of the transactions • the amount of outstanding balances, including terms and conditions and guarantees • provisions for doubtful debts related to the amount of outstanding balances • expense recognised during the period in respect of bad or impaired debts due from related parties

ASC issued INT FRS 123 Uncertainty over Income Tax Treatment

On 20 September 2017, ASC has issued INT FRS 123 Uncertainty over Income Tax Treatments, which is effective for annual periods beginning on beginning on or after 1 January 2019. Please refer the details of IFRIC 23 Uncertainty over Income Tax Treatments to *our Financial Reporting Updates 3Q 2017.*

An entity has a choice on initial adoption of the Interpretation. It can recognise the cumulative effect in retained earnings or equity, at the start of the first reporting period when it first adjusts for the Interpretation, without adjusting comparative information. Alternatively, it can apply the Interpretation retrospectively to each prior reporting period in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

FRS 115 Revenue Recognition for Sale of Uncompleted Residential Properties

On 3 October 2017, ISCA has issued the guidance of FRS 115 Revenue Recognition for Sale of Uncompleted Residential Properties.

Areas of Changes in FRSs in 2017

Below is a table comparing mandatory application for different year ends is presented below. In the table, the pronouncements are presented in order of their effective dates. However, many pronouncements contain provisions that would allow entities to adopt in earlier periods.

FRS Update of Standards and Interpretations Issued and Effective from 1 January 2017:

			Effective for financial periods at the end of											
New Pronouncement [1]	**Our quarterly publication**	**Effective date**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
Narrow Amendments to FRS 12 *Income Taxes*	FKT Financial Reporting Updates 2Q 2016	1 January 2017	2017	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Narrow Amendments to FRS 7 *Statement of Cash Flows*	FKT Financial Reporting Updates 2Q 2016	1 January 2017	2017	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Improvements to FRSs (issued in December 2016) FRS 112 *Disclosure of Interests in Other Entities*	FKT Financial Reporting Updates Quarter 1 2017	1 January 2017	2017	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018

1 The details of FRS in 2017 can be found in our FKT Illustrative Financial Statements Appendix G: Areas of Changes in FRS

Areas of Changes in FRSs in 2018 and 2019 but available for early adoption

FRS Issued in year 2017 but Not Effective:

			Effective for financial periods at the end of											
New Pronouncement [1]	**Our quarterly publication**	**Effective date**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
FRS 115 *Revenue from Contracts with Customers*	FKT Financial Reporting Updates Quarter 1 2015	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Clarifications to FRS 115 *Revenue from Contracts with Customers*	FKT Financial Reporting Updates Quarter 3 2016	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
FRS 109 *Financial Instruments*	FKT Financial Reporting Updates Quarter 1 2015	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Minor Amendments to the FRS 109 *Financial Instruments*	FKT Financial Reporting Updates Quarter 2 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	FKT Financial Reporting Updates Quarter 4 2016	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019

			Effective for financial periods at the end of											
New Pronouncement [1]	**Our publication**	**Effective date**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
Amendments to FRS 40 *Transfers of Investment Property*	FKT Financial Reporting Updates Quarter 1 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Improvements to FRSs (issued in December 2016) (Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 28 Investments in Associates and Joint Ventures)	FKT Financial Reporting Updates Quarter 1 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Amendments to FRS 104 Applying FRS 109 *Financial Instruments with FRS 104 Insurance Contracts*	FKT Financial Reporting Updates Quarter 2 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	FKT Financial Reporting Updates Quarter 1 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
FRS 116 *Leases*	FKT Financial Reporting Updates Quarter 3 2016	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020

			Effective for financial periods at the end of											
New Pronouncement [1]	**Our publication**	**Effective date**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
INT FRS 123 Uncertainty of Tax Treatments	FKT Financial Reporting Updates Quarter 4 2017	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
FRS 117 Insurance Contracts	FKT Financial Reporting Updates Quarter 3 2017	1 January 2021	2021	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022

1 The details of FRS in 2018 and 2019 can be found in our FKT Illustrative Financial Statements Appendix G: Areas of Changes in FRS

NEW FKT Holdings Limited and its subsidiaries - 2017 Illustrative FRS

Financial Statements

We have issued our new FKT Holdings Limited and its subsidiaries – 2017 Illustrative FRS Financial statements for Listed Entities incorporated in Singapore.

This 2017 edition includes:

- **Amendments to FRS 7 *Statement of Cash Flows* - Disclosure Initiative**
- **Amendments to FRS 12 *Income Tax - Recognition of Deferred Tax Assets for Unrealised Losses***
- Improvements to FRSs (December 2016) **FRS 112 *Disclosure of Interests in Other Entities***

(The above are effective for periods beginning on or after 1 January 2017)

In addition, it also includes:

Appendices

- A: Statement of Profit or Loss and other comprehensive income presented in a single statement
- B: Employee Benefits
- C: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in other Entities
- D: Disclosure of Revenue from contracts with customers
- E-1: Financial Instruments
- E-2: Hedge Accounting
- F: Comparison between Singapore Financial Reporting Standards (SFRS) and International Financial Reporting Standards (IFRS) and Interpretations of Financial Reporting Standards (INT FRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations
- G: Areas of changes in FRS

Download the 2017 Illustrative Financial Statements here.

Our new IFRS 1 First - Time Adoption International Financial Reporting Standards (“IFRS”) Disclosure Checklist

Singapore companies that have issued, or is in the process of issuing, equity or debt instruments for trading in a public market in Singapore, Business Trusts and authorised CIS will apply a new financial reporting framework identical to IFRS (“full IFRS convergence”) with effect from 1 January 2018 onwards. Early application is not permitted.

As a first step, the following entities need to undertake an impact assessment of IFRS 1 *First-time Adoption of IFRS*, a standard that specifies how an entity should transition from a previous financial reporting framework to IFRS. Restatement of comparatives may result, even though the Singapore Financial Reporting Standards (“SFRS”) are substantially word for word IFRS. It depends on each company’s facts and circumstances. This is mainly because IFRS 1 must be applied on transition to SFRS as of the date of the opening balance sheet; specific transition provisions in individual standards are disregarded. The overview of IFRS 1 requirements explains the selection of accounting policies, the implications.

No.	Type of entities	Required to adopt SG -IFRS	
		Yes	**No**
1.	Singapore and foreign companies on SGX currently reporting under SFRS	✓	
2.	Business Trusts listed on SGX currently reporting under SFRS	✓	
3.	Entities that would lodge prospectus with MAS on or after 1 January 2018 for the purposes of issuing equity or debt instruments for trading in SGX	✓ (refer to Announcement by MAS on transitional relief from prospectus disclosure requirements (effective 1 January 2018) to prepare financial statements in accordance with the New Framework below)	
4.	Authorised Collective investment Scheme (REITs, unit trusts)		✓ Stays on RAP 7 *Reporting Framework for unit trust*
5.	All other entities (for example, non-listed Singapore-incorporated companies) are not required to converge to SG-IFRS. Non-listed Singapore-incorporated companies may elect to voluntarily apply SG-IFRS.		✓

IFRS 1 requires companies to:

- Identify the first IFRS financial statements;
- Prepare an opening balance sheet at the date of transition to IFRS;
- Select accounting policies that comply, and apply those policies retrospectively to all the periods presented in the first IFRS financial statements;

- Consider whether to apply any of the 10 exemptions from retrospective application;
- Apply the four mandatory exceptions from retrospective application; and
- Make extensive disclosures to explain the transition to IFRS.

The opening IFRS balance sheet:

- includes all the assets and liabilities that IFRS requires;
- excludes any assets and liabilities that IFRS does not permit;
- classifies all assets, liabilities and equity in accordance with IFRS; and
- measures all items in accordance with IFRS

Is an entity SG-IFRS compliant if it has always been SFRS compliant?

The impact of IFRS convergence depends on the effects of applying IFRS 1, and less so on the differences between SFRS and IFRS. You may refer to our 2017 Illustrative FRS Financial Statements, Appendix F: Comparison between Singapore Financial Reporting Standards and International Financial Reporting Standards (IFRS) and Interpretations of Financial Reporting Standards and International Financial Reporting Interpretations Committee Interpretations.

Adjustments to the opening balance sheet and the comparative information may be required:

- even if individual SFRS and IFRS standards are the same. This is because IFRS 1 generally requires retrospective application, i.e. as if an accounting policy had always been applied. There are certain transitional reliefs from retrospective application, but these reliefs are often different from those applied to previous SFRS financial statements.

  - certain SG-IFRS standards and interpretations were not previously adopted under SFRS (e.g. IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments* was not adopted in Singapore).

  - different effective dates (e.g. consolidation suite – SFRS 110 *Consolidated Financial Statements*, SFRS *111Joint Arrangements*, SFRS 112 *Disclosures of Interests in Other Entities*, SFRS 27 *Separate Financial Statements* and SFRS 28) *Investments in Associates and Joint Ventures*; and

  - different transitional provisions (e.g. SFRS 16 provides transitional reliefs for entities that revalued their PPE before 1 January 1984, or had performed a one-off revaluation of its PPE between 1 January 1984 and 31 December 1996 (both dates inclusive). SG-IAS 16 *Property, Plant and Equipment* does not have such transitional provisions (please refer to Section 4(D)).

- if there are changes to accounting policies arising from new or amended standards effective in 2018 such as IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* which are effective in 2018. This is because IFRS 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies.

Accounting policies

The first IFRS financial statements are prepared using accounting policies that comply with IFRS in force at the 'reporting date'.

These polices should be applied retrospectively to the opening IFRS balance sheet and for all periods presented in the first IFRS financial statements. Certain exemptions or exceptions apply to this requirement, the principal one being that the application of IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* may be deferred to 1 January 2005.

The transitional provisions are known as mandatory exceptions and optional exemptions as described below:

Transition provisions	Description
Mandatory Exceptions	First – time adopters are required to apply **all** mandatory exceptions to full retrospective application.
Optional Exceptions	• First – time adopters are generally allowed (but not mandated to apply) • These optional exemptions are generally designed to provide relief from full retrospective application of SG – IFRS • First - time adopters that do not apply the relief will need to apply the relevant SG – IFRS retrospectively.

Mandatory exceptions from retrospective application

The following are five mandatory exceptions to full retrospective application:

Topic	Exception
Estimates	Hindsight should not be used to create or revise estimates. The estimates made under a company's previous GAAP are revised only to correct errors and for changes in accounting policies.
Non – controlling interests	A first-time adopter shall apply the following requirements of SG-IFRS 10 *Consolidated Financial Statements* prospectively from the date of transition to SG-IFRS: (a) the requirement in SG-IFRS 10.B94 that total comprehensive income is attributed to the owners of the parent and to the NCI even if this results in the NCI having a deficit balance; (b) the requirements in SG-IFRS10.23 and B96 for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and (c) the requirements in SG-IFRS 10.B97–B99 for accounting for a loss of control over a subsidiary, and the related requirements of SG-IFRS 5.8A *Non-current Assets Held for Sale and Discontinued Operations.* However, if a first-time adopter elects to apply SG-IFRS 3 *Business Combinations* retrospectively to past business combinations, it shall also apply SG-IFRS 10 in

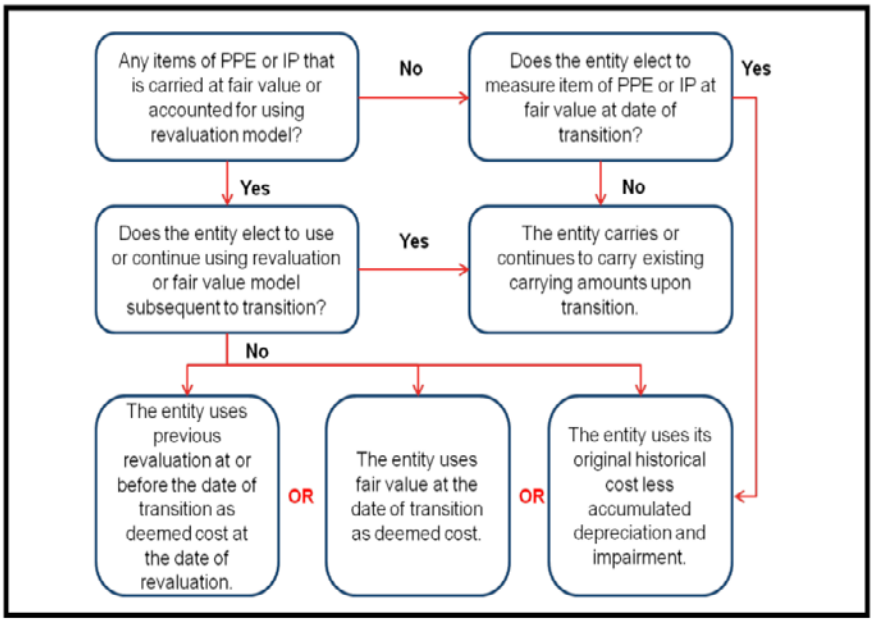
	accordance with SG-IFRS 1.C1.
Derecognition of financial assets and financial liabilities	The IAS 39 derecognition requirements should be applied from 1 January 2004. Assets and liabilities derecognised before this date should not be recognised in the first IFRS financial statements unless: • the company chooses to do so; *and* • the information necessary to apply the IAS 39 derecognition criteria was gathered when the transactions were initially accounted for
Hedge accounting	Hedge accounting can be applied to transactions that satisfy the hedge accounting criteria in IAS 39 prospectively from the company's IAS 32/39 transition date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively
Government loans	First-time adopter may apply the requirements of the financial instrument standards and SG- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to a government loan with a below-market rate of interest retrospectively if the information needed to do so was obtained at the time of initially recognizing the government loan. Otherwise, the requirements are to be applied prospectively. If the entity did not recognize and measure the government loan on a basis consistent with SG-IFRS, then it uses the existing carrying amount under SFRS on the date of transition and subsequently measures at amortized cost using an effective interest rate that is calculated at the date of transition.

Optional exemptions from retrospective application

First-time adopters can elect to apply all, some or none of the optional exemptions.

The following is the optional exemptions from retrospective application:

Exemption	Choice
Business combinations	For all transactions accounted for as business combinations under previous GAAP: • do not restate business combinations before the date of transition; • restate all business combinations before the date of transition; or • restate a particular business combination, in which case all subsequent business combinations must also be restated.
Cumulative translation adjustment	The cumulative translation adjustment may be set to zero. If elected, the exemption must be applied to all subsidiaries. If a first-time adopter uses this exemption: • (a) the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to SG-IFRS; and • (b) the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to SG-IFRS and shall include later translation differences.

Fair value as deemed cost	For property, plant and equipment: Use cost in accordance with IFRS; • use fair value at the date of transition as deemed cost; or • use a revaluation carried out at a previous date as deemed cost, subject to certain conditions. A previous revaluation may be used as deemed cost only if it resulted in a carrying amount that was broadly comparable to fair value or was based on a price index that was applied to cost. The exemption may be applied to any individual item of property, plant and equipment. This exemption can also be applied to intangible assets that meet the criteria for revaluation in IAS 38 *Intangible Assets* and to investment properties where the cost method in IAS 40 *Investment Property* is applied. The exemption may not be used for any other assets. A company may also choose a revaluation to fair value in connection with a specific event, such as an IPO, as deemed cost for any individual asset or liability. • Any existing revaluation reserve at the date of transition is reclassified to retained earnings or as a separate component of equity. [SG-IFRS 1.11] • The following decision tree outlines the deemed cost exemptions available for PPE and IP: 
Borrowing costs	No restatement to the borrowing costs of the entity would be required. However, this election has to be applied consistently across all qualifying assets i.e., it cannot be elected on an asset-by-asset basis.
Compound financial instruments	The two equity elements of a compound financial instrument do not need to be identified if the liability component is not outstanding at the IAS 32 / 39 transition date.
Assets and liabilities of subsidiaries, associates and joint ventures	A subsidiary that adopts IFRS later than its parent can elect to apply IFRS 1 or to use the carrying amounts of its assets and liabilities included in the consolidated financial statements, subject to eliminating any consolidation adjustments. This guidance applies equally to associates and joint ventures.
Designation of financial assets and financial liabilities	A company may choose to classify a financial instrument as a financial asset or financial liability 'at fair value through profit or loss' or as available for sale at its IAS 32 / IAS 39 transition date.

Investments in subsidiaries, associates and joint ventures	In separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for either at cost, in accordance with SG-IFRS 9 or using the equity method in accordance with SG-IAS 28 Investments in Associates and Joint Ventures. Consistent accounting shall be applied to each category of investments. If a first-time adopter chooses to measure any of these categories of investments at cost, then it may choose to measure the carrying amount of any such investments at the date of transition at an amount equal to: • cost, determined in accordance with SG- IAS 27 Separate Financial Statements; or • deemed cost, which is either fair value at the entity's date of transition in its separate financial statements, or the previous accounting policy carrying amount of the investment. If a first-time adopter accounts for such an investment using the equity method procedures as described in SG-IAS 28: . (a) the first-time adopter applies the exemption for past business combinations to the acquisition of the investment. . (b) if the entity becomes a first-time adopter for its separate financial statements earlier than for its consolidated financial statements, and i. later than its parent, the entity shall apply the optional exemption listed in Section 3(B)(10) in its separate financial statements. ii. later than its subsidiary, the entity shall apply the transitional provision listed in Section 3(A)(7) in its separate financial statements.
Decommissioning liabilities (including those related to oil and gas assets)	The optional exemption allows a first-time adopter to calculate the amount of the provision capitalised in property, plant and equipment in its opening SG-IFRS statement of financial position using the following steps: • calculate the provision at the date of transition as if the obligation arose at that date, discounted using a current market-based discount rate; • discount the provision back to the date on which the obligation first arose, using the first - time adopter's best estimate of the historical risk-adjusted discount rate(s) that would have applied between that date and the date of transition; and • depreciate the resulting present value from the date on which the obligation first arose to the date of transition. For a first-time adopter that uses the fair value of the property, plant and equipment as the deemed costs at the date of transition, the valuation is grossed up for any provision or decommissioning if the valuation reflects the price that a third party would pay for the asset and to assume the related obligation to decommission the asset. If the valuation does not reflect such price, the difference between the fair value of the asset and the previous accounting policy carrying amount is recognised as an adjustment to opening retained earnings. The decommissioning liability is measured in accordance with SG-IFRS and recognised in opening retained earnings.

Deemed cost for oil and gas assets	The optional exemption is only applicable to entities in the oil and gas industry that accounted for properties in the development or production phases in cost centres that included all properties in a large geographic area, also referred to as 'full cost accounting'. The optional exemption permits first-time adopters to measure: • exploration and evaluation assets at the carrying amount at the date of transition under previous accounting policy; and • assets in the development or production phases at amounts determined based on the related cost center under previous accounting policy, which is then allocated on a pro rata basis to the cost center's underlying assets using reserve volumes or reserve values at the date of transition. If a first-time adopter elects to apply the optional exemption, then an impairment test of the assets is required at the date of transition in accordance with SG-IFRS 6 *Exploration for and Evaluation of Mineral Resources*. For assets in the development or production phases, a first-time adopter performs the impairment test in accordance with SG-IAS 36 *Impairment of Assets*.
Deemed cost for rate regulated operations	SG-IFRS 1 includes an optional exemption that permits a first-time adopter to use the carrying amounts determined under previous accounting policy as deemed cost for items of property, plant and equipment and intangible assets used in certain rate-regulated operations, even though these carrying amounts may include amounts that do not qualify for capitalisation under SG-IFRS. This exemption may be applied on an item-by- item basis provided that each item to which it is applied is tested for impairment in accordance with SG-IAS 36 at the date of transition.
Arrangements containing a lease (applicable if the entity did not restate lease accounting)	A first-time adopter that assessed whether an arrangement contains a lease under previous accounting policy is exempted from reassessing such arrangements when it adopts SG-IFRS. Such exemption can only be applied only if the previous accounting policy contained the same requirements as SG- IFRIC 4 *Determining whether an Arrangement contains a Lease.*
Share-based payments	A company may choose to apply IFRS 2 *Share-based Payment*, to any equity instruments that were granted before 7 November 2002 or that vested before the later of date of transition and 1 January 2005 but only if the company has previously disclosed publicly the fair value of the instruments, determined at the measurement date.
Insurance contracts	A company that issues insurance contracts and has a date of adoption before 1 January 2006 may choose not to restate comparatives for IFRS 4 *Insurance Contracts*. The company applies its previous GAAP to insurance contracts for its comparatives.

Service concession arrangements	If retrospective application of SG-IFRIC 12 *Service Concession Arrangements* at the date of transition is impracticable for any service concession arrangement, then the operator: • reclassifies assets previously recognised under the service concession arrangement as a financial asset or an intangible asset at the date of transition, measured at the carrying amount of the previous accounting policy; and • tests those assets for impairment at the date of transition or, if that is impracticable, then at the start of the current reporting period. (The impairment test is undertaken in accordance with either SG-IAS 36 or SG-IFRS 9.)

Disclosures

IFRS 1 requires specific disclosures to explain the impact of the transition to IFRS.

Reconciliations in the first IFRS financial statements

The first IFRS financial statements should include a reconciliation of:

- equity from previous GAAP to IFRS at the transition date and at the end of the last period presented in the company's most recent financial statements under previous GAAP; and
- net profit from previous GAAP to IFRS for the last period in the company's most recent financial statements under previous GAAP.

The reconciliations should give sufficient detail to enable users to understand the material adjustments to the balance sheet and income statement, and to distinguish changes in accounting policies from the correction of errors identified during transition.

Other disclosures in the first IFRS financial statements

The disclosures that IAS 36 requires should be given when impairment losses are recognised in the opening IFRS balance sheet. When fair value is used as deemed cost, the aggregate fair values and the aggregate adjustment to the previous carrying amounts should be disclosed for each line item.

A company should also explain material adjustments to the cash flow statement. A company that applies the optional exemption to classify a financial asset or financial liability as 'at fair value through profit or loss' must disclose:

- the fair values of the item;
- the carrying amount under previous GAAP; and
- the classification under previous GAAP.

Comparative information and historical summaries

The first IFRS financial statements should include at least one year of comparative information prepared in accordance with IFRS, subject to the exemptions and exceptions that allow or require non-restatement of comparatives. A company can elect to present additional years of comparative information in accordance with IFRS, and this information might be required for regulatory purposes.

A company may elect to present a summary of historical data for earlier periods. IFRS 1 does not require such information to be presented in accordance with IFRS. A company can also elect to present additional comparative information under the previous GAAP. When historical summaries or comparative information under a previous GAAP are presented, the information should be labelled clearly as not complying with IFRS, and the nature of the main adjustments to comply with IFRS should be described.

Transiting to the SG-IFRS framework and general principles of SG-IFRS 1

Important dates for first-time adopters

- SG-IFRS 1 requires comparatives of an entity's first interim or annual financial statements prepared in accordance with SG-IFRS to be restated based on the specific requirements of SG-IFRS 1. The following table illustrates relevant dates for first-time adopters:

Financial year - end	31 December	31 March	30 June	30 September
Date of transition[1]	1 January 2017	1 April 2017	1 July 2017	1 October 2017
First Interim reporting date under SG - IFRS	31 March 2018	30 June 2018	30 September 2018	31 December 2018
First annual reporting date under SG - IFRS	31 December 2018	31March 2019	30 June 2019	30 September 2019

[1] The 'date of transition' is the beginning of the earliest period for which an entity presents full comparative information under SG-IFRS in its first SG-IFRS financial statements. SG-IFRS 1 requires the opening balance sheet to be disclosed in the first set of SG-IFRS compliant financial statements. This table assumes one year of full comparative information is presented

Announcement by MAS on transitional relief from prospectus disclosure requirements (effective 1 January 2018) to prepare financial statements in accordance with the New Framework

On 19 January 2017, the Monetary Authority of Singapore announced that it will be providing transitional relief for historical financial statements in prospectuses lodged on or after 1 January 2018. In addition to restating up to three years of historical audited financial statements fully to SG-IFRS in the prospectus, issuers of shares, debentures and units in business trusts will also have the option of using the transitional relief provided by MAS.

Details of the transitional relief arrangements are as follows:

- MAS will be amending the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 and the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005 to replace references to "FRS" with the New Framework. The amendments are intended to take effect on 1 January 2018. On commencement, issuers lodging prospectuses on or after 1 January 2018 must prepare financial information that is prepared in accordance with, or restated to, one of the following accounting frameworks: (i) the New Framework; (ii) IFRS; or (iii) US Generally Accepted Accounting Principles (US GAAP).

- MAS will provide transitional relief for issuers that currently use Singapore FRS (SFRS) and that lodge a prospectus from 1 January 2018, as set out in Table 1.

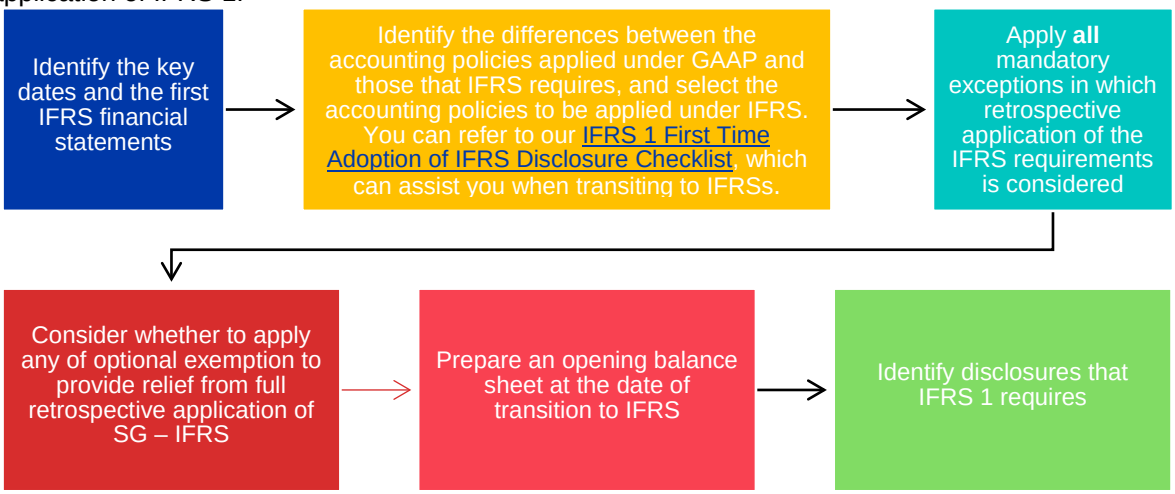
- For the avoidance of doubt, issuers will have a choice of either restating up to three years of historical audited financial statements included in their prospectuses fully to the New Framework or use the transitional relief provided by MAS.

Table 1: Applicable transitional relief for issuers making public offers from 1 January 2018:

	Issuers whose Track Record period does not include annual periods beginning on or after 1 January 2017 (Group A issuers)	**Issuers whose Track Record period includes annual periods beginning on or after 1 January 2017 ("Group B issuers")**
Audited financial statements ("Track Record Period")	• Historical financial information prepared SFRS • Qualitative information on the prospective changes in the accounting framework • Reconciliation of (a) net profit after tax and (b) net assets of the most recent financial year of the Track Record Period reported in accordance with SFRS, to the New Framework	• Historical financial information for the year (s) prior to the annual period beginning on or after 1 January 2017 prepared inn SFRS, accompanied by: (a) A reconciliation of the four primary financial statements (i.e. statement of financial position, statement of profit or loss, statement of changes in equity, and statement of cash flows) reported in accordance with SFRSs to the New Framework; and (b) Notes to describe any differences between the financial figures in SFRS and those in the New Framework.

What should Companies need to do?

On 2 October 2017, ISCA has issued the guidance of IFRS convergence 2018. Companies need to fully understand, proactively anticipate and effectively manage the implications of IFRS convergence – opportunities and threats alike. Directors, CFOs and auditors have a crucial role in this entire process. Directors provide strategic direction and oversight to senior management. With the right tone at the top, an emphasis on early and effective implementation will cascade through the ranks. Director and CFOs must work closely with the auditors and other professional advisors in the implementation process. To assist Directors and CFOs, you can refer to the following step-by-step application of IFRS 1:



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