



## Welcome to Financial Reporting Updates.

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

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

Read this issue to find out:

- IASB and ASC issue amendments to IFRS 4 and FRS 104 Applying IFRS 9 & FRS 109 *Financial Instruments* with

IFRS 4 & FRS 104 *Insurance Contracts*.

In addition, we end with regulatory matters such as:

- Financial Reporting Surveillance Programme for FY 2017
- The New Financial Reporting Framework for Singapore-listed Companies and Registered Business Trusts
- Code of Corporate Governance to undergo review
- Reminder to Convert Share Warrants to Registered Shares by 1 July 2017
- Changes to the Companies (Amendment) Act 2017 and the Limited Liability Partnerships (Amendment) Act 2017
- Extension of Additional Special Employment Credit

## IASB and ASC issue amendments to IFRS 4 and FRS 104 Applying IFRS 9 & FRS 109 *Financial Instruments* with IFRS 4 & FRS 104 *Insurance Contracts*

On 12 September 2016, IASB issued amendments to IFRS 4 in order to address the concerns arising from implementing IFRS 9, *Financial Instruments* before implementing the forthcoming insurance contracts standard while on 23 December 2016, ASC has issued Amendments to FRS 104: Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts*.

These include temporary volatility in the statement of profit and loss and accounting mismatches for most insurers.

The amendments introduce the following two approaches (refer to below):

- Overlay approach effective when an insurer first applies IFRS 9 / FRS 109
- Temporary exemption from IFRS 9 / FRS 109 which is effective for annual periods beginning on or after 1 January 2018

Further exemptions provided by the Board:

- An investor applying IFRS 9 / FRS 109 may retain the IAS 39 / FRS 39 accounting used by its associate or joint venture applying the deferral (or vice versa); and
- 'First time adopters' of IFRS Standards may apply deferral or overlay approach.

### Effective year

The effective date for applying the amendments related to the temporary exemption from IFRS 9 / FRS 109 is 1 January 2018.

The amendments related to the overlay approach are effective when an insurer first applies IFRS 9 / FRS 109 (including on early application of IFRS 9 / FRS 109).

## Overview of the amendments

The amendments introduce the following two approaches:

Approach	Details of approach	Transition	Presentation requirements																												
<b>Overlay approach</b>	<p>It permits all issuers of insurance contracts to remove from profit or loss and recognise in Other Comprehensive Income (OCI) if IFRS 9 / FRS 109 are applied in full</p> <ul style="list-style-type: none"> <li>the difference between the amounts that would be recognised in the statement of profit and loss under IFRS 9 / FRS 109 and under IAS 39 / FRS 39 <i>Financial Instruments: Recognition and Measurement</i>, for specified assets relating to insurance activities.</li> </ul> <p>This approach could be applied by an entity that issues contracts that are accounted for under IFRS 4 / FRS 104 and which applies IFRS 9 / FRS 109 in conjunction with IFRS 4 / FRS 104.</p> <p>Financial assets eligible for the overlay adjustment would have to be:</p> <ul style="list-style-type: none"> <li>Designated as relating to contracts that are in the scope of IFRS 4 / FRS 104 (i.e. these would not include financial assets held in funds relating to investment contracts that are outside the scope of IFRS 4),</li> <li>Classified as at Fair Value Through Profit or Loss (FVTPL) under IFRS 9 / FRS 109, and</li> <li>Not classified as at FVTPL in their entirety under IAS 39 / FRS 39.</li> </ul>	<p>An entity would be able to change the designation of financial assets as relating to contracts in the scope of IFRS 4 / FRS 104 only if there is a change in the relationship between those financial assets and contracts.</p> <p>Further, an entity is also permitted to apply the overlay approach prospectively to financial assets when the eligibility criteria are met.</p>	<table border="1"> <thead> <tr> <th colspan="2">Statement of Comprehensive Income</th> </tr> <tr> <th></th> <th>20XX</th> </tr> </thead> <tbody> <tr> <td>Insurance contracts revenue</td> <td>X</td> </tr> <tr> <td>Incurred claims and expenses</td> <td>(X)</td> </tr> <tr> <td><b>Operating result</b></td> <td><b>X</b></td> </tr> <tr> <td>Investment income 'IFRS 9'</td> <td>X</td> </tr> <tr> <td>Interest on insurance liability</td> <td>(X)</td> </tr> <tr> <td>Overlay approach—adjustment</td> <td>(X)</td> </tr> <tr> <td><b>Investment result</b></td> <td><b>X</b></td> </tr> <tr> <td><b>Profit or loss</b></td> <td><b>X</b></td> </tr> <tr> <td>Overlay approach—adjustment</td> <td>X</td> </tr> <tr> <td>Effect of discount rate changes on insurance liability</td> <td>(X)</td> </tr> <tr> <td><b>Other comprehensive income</b></td> <td><b>X</b></td> </tr> <tr> <td><b>Total comprehensive income</b></td> <td><b>X</b></td> </tr> </tbody> </table>	Statement of Comprehensive Income			20XX	Insurance contracts revenue	X	Incurred claims and expenses	(X)	<b>Operating result</b>	<b>X</b>	Investment income 'IFRS 9'	X	Interest on insurance liability	(X)	Overlay approach—adjustment	(X)	<b>Investment result</b>	<b>X</b>	<b>Profit or loss</b>	<b>X</b>	Overlay approach—adjustment	X	Effect of discount rate changes on insurance liability	(X)	<b>Other comprehensive income</b>	<b>X</b>	<b>Total comprehensive income</b>	<b>X</b>
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Approach	Details of approach	Transition	Disclosure requirements								
<p><b>Temporary exemption from IFRS 9 / FRS 109</b></p>	<p>This temporary exemption is available to companies whose activities are predominantly connected with insurance. An entity should assess whether its insurance activities are predominant on the date of its initial application of IFRS 9 / FRS 109. Such assessment would be based on the carrying amount of its liabilities arising from the contracts that are in the scope of IFRS 4 / FRS 104 relative to the total carrying amount of its liabilities at the date on which it would otherwise be required to apply IFRS 9 / FRS 109.</p> <p>Entities that defer the application of IFRS 9 / FRS 109 will continue to apply the existing financial instruments standard i.e. IAS 39 / FRS 39</p> <p>A subsequent reassessment of an entity's predominant activity would be required only if there is a demonstrable change in the corporate structure of the entity.</p> <p>To qualify, the company must have:</p> <ul style="list-style-type: none"> <li>not previously applied IFRS 9 / FRS 109 (other than the 'own credit requirements' in isolation);</li> <li>significant IFRS 4 / FRS 104 liabilities compared to total liabilities; and</li> <li>predominance percentage (P*) &gt; 90% or</li> <li>80% &lt; P* ≤ 90% and no significant activity unconnected with insurance.</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">Liabilities from contracts within the scope of IFRS 4 + Investment contracts at FVPL + Other connected liabilities (eg tax)</p> <p>*P = <math>\frac{\text{Total}}{\text{Total liabilities}}</math></p> </div>	<p>Available until 2021 (or until the new insurance contracts Standard is applied if that is earlier)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Population 1*</th> <th style="width: 50%;">Population 2**</th> </tr> </thead> <tbody> <tr> <td>Financial assets with contractual cash flows that are solely principal and interest (SPPI) excluding those: (a) held for trading; or (b) managed on a fair value basis.</td> <td>All other financial assets; ie those: (a) held for trading; (b) managed on a fair value basis; or (c) not SPPI.</td> </tr> <tr> <td>Fair value information</td> <td>Fair value information</td> </tr> <tr> <td>Information about credit risk exposure, including: (a) carrying amounts by credit risk rating grades; and (b) for assets other than low credit risk, fair value information and carrying amounts.</td> <td></td> </tr> </tbody> </table> <p>* Similar to population of assets to which expected credit loss requirements would apply.</p> <p>** Similar to population of assets mandatorily measured at FVPL applying IFRS 9 / FRS 109.</p>	Population 1*	Population 2**	Financial assets with contractual cash flows that are solely principal and interest (SPPI) excluding those: (a) held for trading; or (b) managed on a fair value basis.	All other financial assets; ie those: (a) held for trading; (b) managed on a fair value basis; or (c) not SPPI.	Fair value information	Fair value information	Information about credit risk exposure, including: (a) carrying amounts by credit risk rating grades; and (b) for assets other than low credit risk, fair value information and carrying amounts.	
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# Financial Reporting Surveillance Programme for FY 2017

With effect from 1 April 2017, ACRA will make the following key revisions to the FRSP policies and processes effective from 1 April 2017:

- **“Restatements-first” policy**
  - In cases with serious breaches, companies will be required to remediate by restating, re-auditing and re-filing past years’ financial statements, on top of the restatements of comparatives in the current year’s financial statements.
  - In cases with less severe breaches, companies will be required to remediate by restating comparatives or add/improve disclosures in the current year’s financial statements.
  - Sanctions against directors will be considered only when companies refuse to comply or in egregious cases. These sanctions include warning, fine by offer of composition or prosecution leading to fines and/or imprisonment.
- **Streamlined enquiries**

In complex cases, facts will first be obtained via meetings with company representatives and/or e-mail correspondences with CFOs. Enquiry letters will be streamlined to seek directors’ views mainly on potential breaches.

- **Indicate outcome early**

For cases with serious breaches, closing meeting will be held with directors before finalising the regulatory outcome. For cases with less severe breaches, remedial actions will be indicated in enquiry letters, where practicable.
- **Hearing other views**

For selected serious breaches (e.g. complex judgemental issues), auditors and specialists will be involved formally.
- **Timely restatements and transparency.**

Entity-specific press notice will be issued when a company does not restate or announce within the prescribed time in relation to breaches that materially affect key financial statements line items. Such announcement will keep investors informed on a timely basis

## 2017 mini-guide for Audit committee members

Audit committee members can also tap on a [2017 mini-guide jointly produced by ACRA, SID and PwC Singapore](#) that provides a handy and quick reference to current and upcoming regulatory developments, such as the enhanced auditor’s report and new accounting standards.

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## The New Financial Reporting Framework for Singapore-listed Companies and Registered Business Trusts

For December year-end listed entities and registered business trusts must prepare financial statements identical to the International Financial Reporting Standards (IFRS) for annual periods starting January 1, 2018 with 1 January 2017 as the date of transition, whereby an opening balance sheet and 2017 comparatives under SG – IFRS need to be prepared. Given the magnitude of the IFRS conversion exercise, it is important that listed companies embark on the impact assessment as soon as possible.

### Registered Business Trusts

Under the Business Trusts Act (Cap. 31A), business trusts that are constituted in Singapore and whose units are offered to the public must be registered by Monetary Authority of Singapore (“MAS”).

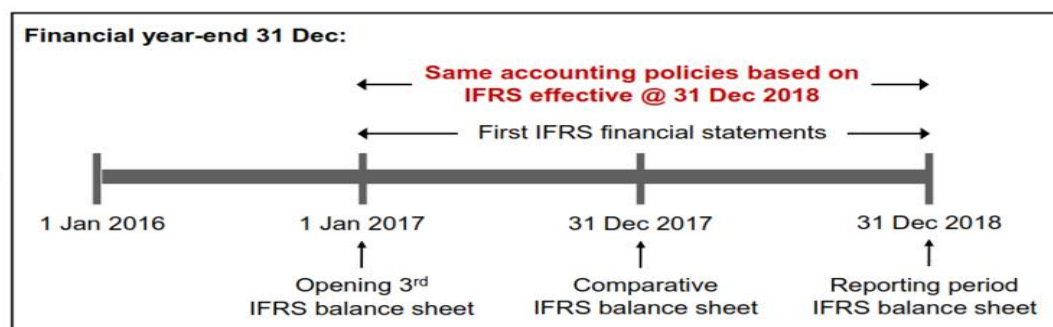
There will also be transitional relief for historical financial statements in prospectuses lodged on or after Jan 1, 2018. Restating up to three years of historical audited financial statements fully to the New Framework in the prospectus, issuers of shares, debentures and units in business trusts will also have the option of using the transitional relief provided by MAS.

### Revisit Accounting Policies; Benefit from Transitional Reliefs

On IFRS convergence, listed companies can take the opportunity to perform a holistic review of their accounting policies under the new SG-IFRS framework and can potentially benefit from certain transitional reliefs in IFRS 1. For instance:

- Listed companies can elect to use fair value as the deemed cost of property, plant and equipment (PPE) and investment property on transition to SG-IFRS;
- Listed companies that are now applying the revaluation model to account for their PPE (or fair value model for investment property) can revisit their accounting policies and decide again whether to elect the cost model going forward;
- Listed companies that have cumulative translation losses can consider electing the relief in IFRS 1 to "zerorise" all cumulative translation differences in the reserves, such that any gain or loss on subsequent disposal of the foreign operations will exclude the "zerorised" translation differences;
- Listed companies can adopt the accounting policy to measure in subsidiary, associate and joint venture at cost in its separate financial statements may have an option to measure the carrying value of investments in subsidiary, associate and joint venture on the transition date at fair value. Such revised carrying value shall be treated as a new deemed cost of the said investment; and
- Listed companies need not to restate business combinations before the date of transition, or any date prior to that.

### SG – IFRS effective as at 31 December 2018



#### Application of IFRS upon convergence

Retrospective application of all IFRS unless exceptions or exemptions provided in IFRS 1. Transition provisions in IFRS do not apply to first-time adopter unless otherwise specified in IFRS 1.

**IFRS  
effective as  
at  
31 Dec 2018**

## Code of Corporate Governance to undergo review

The last review of the CG Code was done in 2012. Compliance with the Code is not mandatory but listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports. [Under the Rule 710 of Main Board Rules](#), an issuer must describe its corporate governance practices with specific reference to the principles of the Code in its annual report. It must disclose any deviation from any guideline of the Code together with an appropriate explanation for such deviation in the annual report.

On 28 February 2017, the Code of Corporate Governance ("CG Code") will come under

review by a council. Changes were introduced to strengthen board independence and enhance remuneration practices and disclosures.

The council will consider how the 'comply-or-explain' regime under the CG Code can be made more effective. This includes improving the quality of companies' disclosure of their CG practices and explanations for deviations from the CG Code. The council will also propose mechanisms to monitor the progress made by our listed companies in strengthening their corporate governance practices. The council will consult the public on its recommendations, including changes to the CG Code, before finalising them.



# Reminder to Convert Share Warrants to Registered Shares by 1 July 2017

## What is the reminder?

Bearer of share warrants (commonly referred to as bearer shares) are reminded to convert the warrants to registered shares and have their names entered in the register of members of the issuing companies before 1 July 2017, if they have not already done so. Pursuant to Section 66 of the Companies Act, a company shall cancel any share warrant that is unaccounted for 1 July 2017.

On 26 October 2016, the Ministry of Finance ("MOF") and the Accounting and Corporate Regulatory Authority of Singapore ("ACRA") proposed amendments to the Companies Act under the Companies (Amendment) Bill 2017. One of the proposed amendments is the introduction of an inward re-domiciliation regime in Singapore.

Re-domiciliation is a process in which a corporation transfers its registration from its home jurisdiction to another jurisdiction. A corporation may choose to do so for various regulatory, strategic or organisational reasons, while keeping its identity and history in the various jurisdictions it has presence in, and minimising operational disruptions. Currently, jurisdictions such as Australia, Canada and New Zealand also have re-domiciliation regimes.

By introducing an inward re-domiciliation regime in Singapore, foreign corporations can transfer their registration here. It is envisaged that this would facilitate relocation by foreign corporations of their regional or worldwide headquarters to Singapore. Under such a regime, an inbound corporation which is re-domiciled to Singapore will become a Singapore company and accordingly be required to comply with the requirements of the Act like any other company in Singapore.

The proposed amendments also require the redomiciled company to issue certificates to all shareholders and/or debenture holders as at the date of the notice of transfer of registration.

It is proposed that the issuance and transfer of bearer shares and share warrants by foreign companies registered in Singapore, be void, to mitigate the risks of money laundering and terrorist financing. Section 66 of the Companies Act already prohibits Singapore-incorporated companies from issuing bearer shares and share warrants.

## What are the accounting entries for foreign companies registered in Singapore?

Foreign companies registered in Singapore should monitor if the bearer share warrants to convert to registered shares by 1 July 2017 and if they are not done, the warrants will lapse.

Below is the accounting entries for the two situations:

Situation	Accounting Entries
Bearer share warrants to convert to registered shares	Dr Warrants* Cr Share capital
If not converted to registered shares, the warrants will lapse	Dr Warrants* Cr Retained earnings

\* Warrants are derivatives. Derivatives over an entity's own equity which meet the fixed for fixed test are treated as equity instruments. If the warrants are not meet the fixed for fixed test, the warrants should be treated as liability.

## Who should bearers of share warrants contact?

Bearer of share warrants who require further information on converting the share warrants to registered shares may wish to contact the issuing companies.

# Changes to the Companies (Amendment) Act 2017 and the Limited Liability Partnerships (Amendment) Act 2017

To reduce the regulatory burden and improve the ease of doing business, the following are changes to Companies Act:

## Amendments to Reduce Regulatory Burden and Improve Ease of Doing Business

The following amendments are to simplify the requirements for companies to hold annual general meetings (AGMs) and file annual returns (ARs):

- (a) align the timelines for holding AGMs and filing ARs with the financial year end (FYE) i.e. listed companies and non-listed companies should hold their AGMs no later than the last day of the 4th month or 6th month after FYE respectively; and
- (b) exempt all private companies from holding AGMs subject to specified safeguards.

It is amended to remove the legal requirement for companies and limited liability partnerships (LLPs) to use common seals. Companies and LLPs can choose to retain the use of common seals based on business needs.

It is also amended to allow foreign corporate entities to transfer their registration to Singapore instead of setting up subsidiaries.

## Amendments to Improve the Transparency of companies and LLPs

- Requiring companies and LLPs incorporated or registered in Singapore to maintain registers of beneficial owners at prescribed places;
- Requiring foreign companies registered in Singapore to maintain public registers containing information on their shareholders and registers of beneficial owners;
- Removing the option for companies and LLPs to destroy their records early if they are wound up by members, partners or creditors;
- Requiring a liquidator to retain records of wound-up companies and LLPs for five years instead of two;
- Requiring the officers, partners or managers of struck-off companies and LLPs to retain accounting records and registers of beneficial owners for five years;
- Voiding the issuance and transfer of bearer shares and share warrants by foreign companies registered in Singapore; and
- Requiring nominee directors or managers to disclose their nominee status and

nomimators to their companies.

## When are these amendments effective?

The Bills relating to these amendments to the Companies (Amendment) Act 2017 and Limited Liability Partnerships (Amendment) Act 2017 have been passed by Parliament on 10 March 2017.

The key legislative changes from the approved Bills will be implemented from the following dates:

Bills of amendments passed by Parliament on 10 March 2017	Effective date
Remove the legal requirement for companies and limited liability partnerships (LLPs) to use common seals  Require companies and LLPs incorporated or registered in Singapore to maintain registers of beneficial owners at prescribed place	31 March 2017
Require foreign companies registered in Singapore to maintain public registers containing information on their shareholders and registers of beneficial owners  Remove the option for companies and their LLPs to destroy their records early if they are wound up by member, partners or creditors  Require a liquidator to retain records of wound-up companies and LLPs for five years instead of two.  Require the officers, partners or managers of struck-off companies and LLPs to retain accounting records and registers of beneficial owners for five years  Void the issuance and transfer of bearer shares and share warrants by	31 March 2017

foreign companies registered in Singapore Require nominee directors or managers to disclose their nominee status and nominators to their companies	
Allow foreign corporate entities to transfer their registration to Singapore instead of setting up subsidiaries	First half of 2017
Align the timelines for holding AGMs and filing ARs with the financial year end (FYE) i.e. listed companies and non-listed companies should hold their AGMs no later than the last day of the 4 <sup>th</sup> month or 6 <sup>th</sup> month after FYE respectively	Targeted for implementation in early 2018  ACRA will notify all companies closer to the implementation date of these legislative changes

Exempt all private companies from holding AGMs subject to specified safeguards	
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### Transitional Arrangements for New and Existing Companies and LLOs on maintaining Registers of Registrable Controllers

To help companies and LLPs' prepare to comply with this new requirement, existing companies and LLPs will be given a transitional period of 60 days from the date of commencement of the new law (31 Mar 2017) to set up the register of controllers, after which they must have and continue to maintain the required registers.

Companies incorporated on or after 31 Mar 2017 and LLPs registered on or after 31 Mar 2017 will have a transitional period of 30 days to set up the register.

You can engage [KCK CorpServe Pte. Ltd](#) in helping corporate clients comply with these requirements.

## Extension of Additional Special Employment Credit

The Additional Special Employment Credit (ASEC) provides wage offsets to employers hiring older Singaporean workers earning up to \$4,000 a month, who are older than the re-employment age<sup>1</sup>.

The Government will extend the ASEC for two and a half years, from 1 July 2017 to 31 December 2019. This will: (i) continue to support workers older than the re-employment age, and (ii) support those who are above 65 years old as of 1 July 2017 and hence not covered by the increase in re-employment age to 67.

### When will the ASEC be paid?

The extended ASEC will apply to employees on the payroll from 1 July 2017 to 31 December 2019. Together with SEC, it will be paid twice a year, in March and September. Eligibility for ASEC is automatically assessed based on the regular monthly CPF contributions that employers make for their employees.

Employees on Payroll (2017 to 2019)	Deadline for Employers to make CPF Contributions to Receive SEC and ASEC	Payment Date for SEC and ASEC
January to June	14 <sup>th</sup> of the subsequent month E.g. 14 <sup>th</sup> February for employees on the January payroll	September of the current year
July to December	14 <sup>th</sup> of the subsequent month E.g. 14 <sup>th</sup> January of the following year for employees on the December payroll	March of the following year

### How should employers recognise ASEC?

The first ASEC will be paid in September of the same year for work done from January and June, and March of the following year for work done from July and December.

Accordingly, employers should recognise these credits as income only when it becomes receivable in September and March in accordance with FRS 20 paragraph 20 which states:

“A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised as income of the period in which it becomes receivable.”

More details can be obtained from [here](#).

<sup>1</sup> The current re-employment age is 65 years. It will be raised to 67 years on 1 July 2017.



## How we can assist

If you need assistance or advice on the above, we are here to assist you.

Contact:

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