

Financial Reporting Updates – 1Q 2024

This is your quarterly update on all things related to international financial reporting standards or Singapore Financial Reporting Standards. We will bring you up to speed on topical issues, provide our comments and viewpoints on any significant developments.

Jan – Mar 2024

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ACRA has issued Financial Reporting Practice Guidance No. 1 of 2023

On 6 November 2023, the Accounting and Corporate Regulatory Authority (ACRA) has issued the following:

ACRA's Financial Reporting Practical Guidance No. 1 of 2023

To guide directors in the review and approval of their company's financial statements amid macroeconomic and geopolitical uncertainties, as well as climate changes, ACRA has published the proposed areas of review focus for the financial statements that are affected by such uncertainties and climate-related risks. This publication highlights the areas of review focus for FY2023 financial statements, paying close attention to these emerging risks and trends.

Macroeconomic and geopolitical uncertainties continue to have significant impact on financial reporting in FY2023 and the effects of climate change are more prominent than ever. ACRA's review on FY2023 FS will focus on the following areas:

- (1) Accounting Impact From Macroeconomic Uncertainties
- (2) Accounting Impact From Climate Change Movements
- (3) Accounting Impact From Geopolitical Uncertainties
- (4) New accounting standards

Directors are reminded to pay close attention to the following accounting considerations in their preparation of the financial statements:

- Impairment of non-financial assets
- Expected Credit Loss (ECL) assessment on trade and other receivables
- Provision for onerous contracts
- Going concern assessment
- Review for compliance with debt covenants
- Green financing

For more details, please refer to our [previous quarter's publication](#).

ACRA and SGX RegCo have provided details of mandatory climate reporting

On 28 February 2024, the Accounting and Corporate Regulatory Authority (ACRA) and Singapore Exchange Regulation (SGX RegCo) have provided details of mandatory climate reporting for listed issuers and large non-listed companies (defined as those with annual revenue of at least \$1 billion and total assets of at least \$500 million).

Climate reporting to help companies ride the green transition

The timeline for the implementation of mandatory climate-related disclosures (CRD) is summarised in the table below.

Timeline for requirements	Listed Issuers	Large non-listed companies
CRD including Scope 1 and 2 greenhouse gas (GHG) emissions , using requirements aligned with the International Sustainability Standards Board (ISSB) standards	FY2025	FY2027
CRD for Scope 3 GHG emissions	FY2026	No earlier than FY2029
External limited assurance on Scope 1 and 2 GHG emissions	FY2027	FY2029

The listed issuers and large non-listed companies are required to report and circulate CRD at the same time as financial statements.

Exemptions available

ACRA will exempt large non-listed companies with parent companies that are already reporting CRD using other international standards and frameworks, so as to meet mandatory requirements of the jurisdictions that they operate in and/or to cater to their investors' information needs, under the following circumstances:

- a. A large non-listed company whose parent company reports CRD using ISSB-aligned local reporting standards or equivalent standards (e.g. European Sustainability Reporting Standards) will be exempted from reporting and filing CRD with ACRA, subject to certain conditions*^{*}; and
- b. A large non-listed company whose parent company reports CRD using other international standards and frameworks (e.g. Global Reporting Initiative Standards, Task Force on Climate-related Financial Disclosures Recommendations), will be exempted from reporting and filing CRD with ACRA* for a transitional period of 3 years, from FY2027 to FY2029. ACRA will review whether to extend the transitional period, depending on global developments relating to the adoption and recognition of other standards and frameworks.

* This is provided that conditions such as the large non-listed companies' activities are included within the parent company's report, which is available for public use, are met.

For more details, please refer to the [ACRA's news release](#).

Financial Reporting Reminders for Preparation of Financial Statements for year ended 31 December 2023

Year 2023 was yet another "new normal" year with continued COVID-19 impact. From the ACRA's Areas of Review Focus for FY2023 Financial Statements, we can see that the emerging risks and trends are towards macroeconomic and geopolitical uncertainties, as well as climate changes. We have covered climate-related risk considerations in financial reporting and audits of financial statements in our [FKT Financial Reporting Updates 3Q 2023](#). We have also discussed some of the financial reporting reminders to take note in the preparation of financial statements (FS) for the year ended 31 December 2023 and beyond in our [previous quarter's publication](#), as well as within this publication (see the summary in section above), which are still relevant and applicable for the preparation of financial statements (FS) for the year ended 31 December 2023.

For ease of reference, we recap below the key accounting considerations that should be focused on.

Areas involving significant judgement and estimates

There will be continued heightened scrutiny on the following financial statement areas which involve significant judgement and accounting estimates (including but not limited to):

- Items measured at fair value (e.g. investment properties)
- Impairment of non-financial assets
- Provision for expected credit losses (ECL) on debt instruments
- Provision for stock obsolescence
- Provision for onerous contracts / contingent liabilities

Accordingly, an entity should ensure that appropriate disclosures of the judgements and assumptions are included in the financial statements. In particular, the assumptions disclosed should reflect / take into consideration the accounting impact from macroeconomic and geopolitical uncertainties, as well as climate changes.

Entities are reminded to pay more attention to the following FS disclosures/notes:

- Fair value measurement
- Critical judgements & estimation uncertainty
- Financial risk management (especially credit risk, liquidity risk)
- Sensitivity analysis

Going concern

With business closures taking place and the possibility of an economic downturn, management will need to critically assess/evaluate the entity's ability to continue as a going concern, and in severe cases, if the use of going concern basis of accounting remains appropriate.

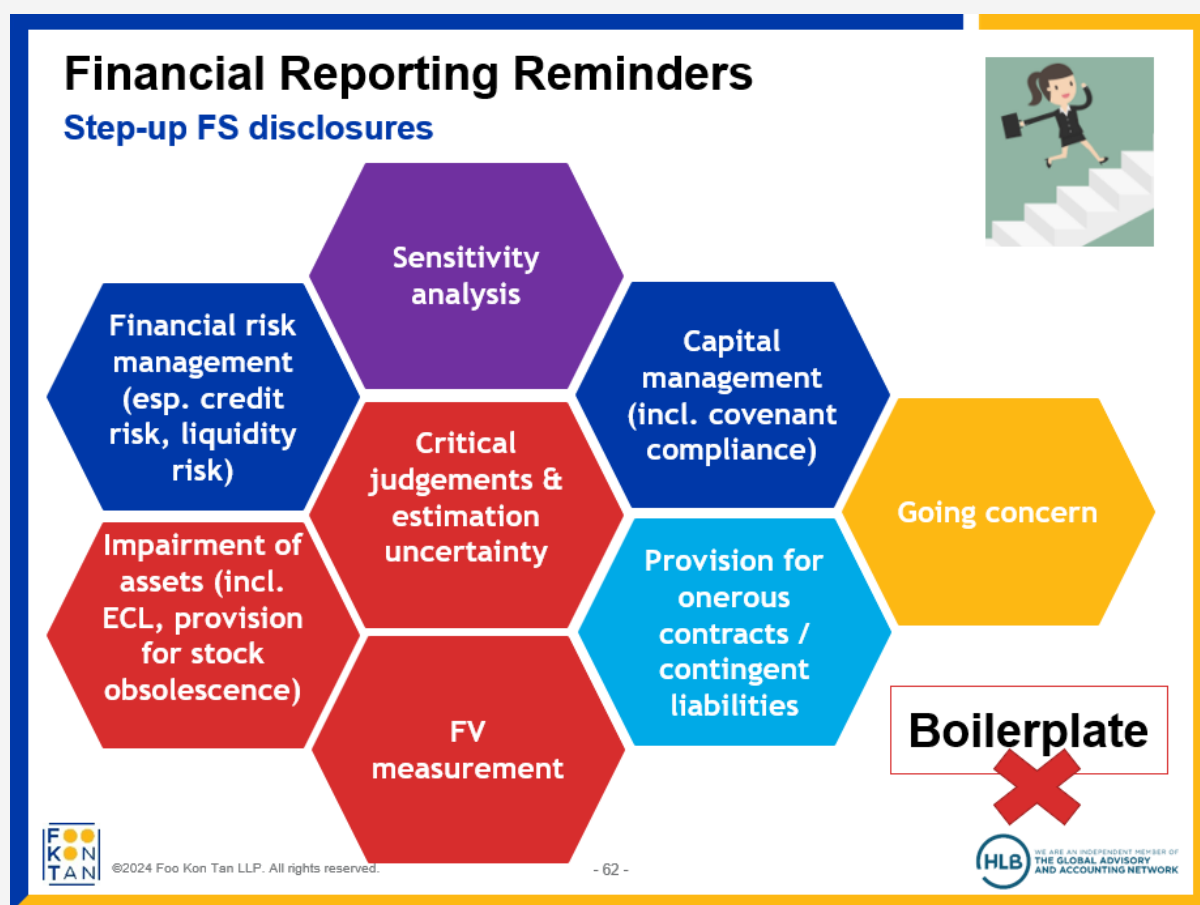
Based on the going concern assessment performed, if material uncertainty exists, the following disclosures in the financial statements should be made/updated:

- Events or conditions that led to the material uncertainty
- Explain how the material uncertainty arose as a consequence of the events or conditions identified
- Management's plans to resolve the going concern issue
- Capital management (including compliance with debt covenants, if any)

Consistency and avoid boilerplate disclosures

It is well-known that the regulators review beyond disclosure deficiencies – from the ACRA's Financial Reporting Surveillance Programme (FRSP), it is noted that ACRA discovered wrong accounting treatments. Inconsistencies in the FS disclosures tend to create loopholes which can be cracked eventually. Therefore, consistency across the whole set of FS and information provided elsewhere (in the other sections of the annual report, SGX announcement, etc.) is key.

In addition, entities should refrain from using boilerplate disclosures. The macroeconomic and geopolitical uncertainties, as well as climate changes have different impact on different entities – entities should customise their FS disclosures according to entity-specific facts and circumstances.



Contact us

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



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