Deloitte & Touche

CHANGES TO SINGAPORE'S ACCOUNTING STANDARDS

2001 Edition

Our Mission:

To Help Our Clients and Our People Excel.

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Current as at 1 October 2001

SECTION I

EXECUTIVE SUMMARY

Changes to Singapore's Accounting Standards

The Institute of Certified Public Accountants of Singapore (ICPAS) has rapidly advanced the process of aligning the Singapore Statements of Accounting Standards (SAS) with the International Accounting Standards (IAS). The Institute issued a sizeable number of new or revised SAS last year. Many of these standards reduce the accounting options permitted, and in some cases provide no options. Even after approval of the current exposure drafts, it should be noted that full compliance with SAS does not mean full compliance with IAS. Significant differences are shown in a separate section of this booklet. However, by 2002, we will be a lot closer to IAS than we have ever been in the past.

Some of the new and revised standards must be applied retrospectively and almost all the standards have comprehensive disclosure requirements. Therefore, more resources will be required than normal in preparing the financial statements.

The implementation of the changes to the accounting standards should begin before the effective date of the change. This allows management to consider the effect on their financial results, including the impact on ratios like the equity ratio and earnings per share. This implementation could influence contractual agreements between the enterprise and stakeholders. An example would be debt covenants in a loan agreement requiring certain minimum ratios, gearing, shareholder funds, etc.

The accounting changes required by these standards will impact not only how you account for transactions, but the level of disclosure provided in your financial statements. The changes in recognition and measurement may have tax implications for your organisation, along with prior year adjustments made for those standards requiring retrospective treatment.

Specific details of each standard and its effective date are provided in Section II and Section III of this publication. The following section highlights the changes that will impact most financial statements issued in Singapore.

New and Revised Standards

- The practice of classifying a wide variety of events as extraordinary items is now strictly prohibited. Only events such as the expropriation of assets and natural disasters meet the revised standard's criteria. Discontinuing operations and a list of other items are explicitly excluded as extraordinary items.

- Full provision for deferred tax will be required; including recording of a deferred tax asset to the extent that future profits are likely to be available to utilise the deferred tax asset. Revaluations of certain assets will also require a provision for deferred tax.

- Business combinations, in almost all cases, will be accounted for as acquisitions, with the pooling of interest method allowed only if an acquirer cannot be identified, which should be extremely rare. Goodwill is required to be recognised as an asset and amortised in the income statement over its useful life. The option of an immediate write-off to shareholders' interest is no longer permitted. Explicit criteria are provided for determining the fair value of identifiable assets and liabilities. Retrospective recognition of previously written-off goodwill is encouraged, but not required. Negative goodwill may no longer be adjusted against asset values.

- The majority of assets will be subject to an annual test for impairment, if indications exist that the asset is impaired.

- Dividends proposed or declared after the balance sheet date should be shown as a component of equity or disclosed in a note to the financial statements. They should not be shown as a liability.

- Strict rules apply on the recognition of provisions. A provision should only be recognised when there is a liability, i.e., a present obligation to transfer economic benefits as a result of past events. Furthermore, restructuring provisions and provisions in connection with acquisitions can only be recognised when an enterprise has a detailed formal plan and has raised a valid expectation in those affected by the plan.

- The cost of major overhauls and inspections may no longer be provided for, but may be capitalised when incurred if certain criteria is met.

- Start-up costs of an operation, training costs, advertising costs, promotional costs, or relocating and reorganising costs are now to be expensed off immediately, and previously recognised assets of this nature are to be derecognised in accordance with the enterprise's policy on changes in accounting policy.

Two new standards on financial instruments will influence the current recognition and measurement principles, as well as disclosure requirements. It is important to understand the broad definition of financial instruments, which covers both **primary instruments** (such as receivables, payables and equity securities) and **derivative instruments** (such as financial options, futures and forwards). Some of the disclosure requirements include sensitive issues such as risk management policies.

Accounting principles for financial instruments (including derivatives) are as follows:

- All financial and derivatives instruments <u>held for trading</u> should be carried at fair value, with fair value adjustments recognised in the income statement.

- All other <u>financial assets</u> should be carried at fair value, except loans and receivables originated by the enterprise, and other fixed maturity investment which will be held to maturity. These will be carried at amortised cost. Most investments other than subsidiaries, joint ventures and associates will be required to be stated at fair value, thereby eliminating the previous option of stating such investments at cost. If investments are classified as "Available-for-Sale", the enterprise has a one-time election for changes in value to go to the income statement or to equity until disposal, at which time the cumulative changes would go to the income statement.

- All other <u>financial liabilities</u> should be carried at amortised cost. This means that the liability would initially be booked at a value equal to the proceeds from issuing the liability (net of transaction costs, discount, premium, etc.). These costs would then be amortised over the life of the instruments, so that the carrying amount at maturity equals the amount repayable.

- A <u>financial asset</u> that is discounted or factored is fully removed only when there is no possibility of benefits accruing to the transferor. As a result, discounting or factoring may in some cases not result in removal of the asset from the balance sheet, i.e., factoring with recourse that provides for return of the receivables, and in other cases result in the creation of a financial liability.

- A <u>financial liability</u> is removed only when it is legally extinguished by discharge, cancellation or expiry. In-substance defeasance accounting is no longer permitted.

- The rule regarding hedge accounting is very strict and requires that the hedging relationship is clearly defined, measurable, and actually effective. From inception, derivatives used for hedging should be recognised at fair value, with the fair value adjustment recognised in the income statement for a fair value hedge or in equity for a cash flow hedge. All hedge ineffectiveness should be recognised in the income statement.

- The practice of accounting for compound instruments, such as bonds with embedded warrants, as a debt instrument will no longer be allowed. The two instruments, the bond (liability element) and the warrant (equity element) will now be separately recognised at fair value and the discount or premium (which includes transaction costs) is amortised over the life of the debt instrument so as to bring the carrying amount of the liability to the instruments maturity value.

- Preference shares in some instances will be classified as liabilities, and in other cases as compound assets, comprising both a liability and equity component. The dividend on preference shares when the instrument is classified as a liability will be shown as a charge in the income statement and therefore impact earnings per share.

Disclosure requirements for financial instruments

- Information about factors that affect the amount, timing and certainty of cash flows related to all financial instruments will need to be disclosed. Methods and significant assumptions applied in estimating fair values will also need to be disclosed.

- Risk management policies and objectives and information regarding interest rate risk, credit risk, the fair value of all financial instruments not carried at fair value and hedge transactions are to be disclosed.

Exposure Drafts

- Investment property should be stated at fair value or cost. If stated at cost, it should be accounted for at cost with a depreciation charge and any adjustment for impairment (revaluation is not allowed under the cost method). The valuation method selected must be applied to all investment properties.

These revisions to the accounting standards in Singapore will most likely have a negative impact on the results of enterprises, with the exception of enterprises that were very conservative in the past by holding assets at cost or making conservative provisions.

From the effective date of the standards your finance department should be ready to capture the right information and report to management in accordance with the new standards. Trying to implement accounting standards while preparing statutory accounts could give management some very unpleasant surprises, and should be avoided.

We have prepared this publication to keep you abreast of the changes and to alert you to the impact they will have on your organisation's accounting and financial reporting requirements. We hope you will find the publication useful. Deloitte & Touche looks forward to helping you implement the new accounting standards.

- *Please consult with your Client Service Partner for further clarification.*

SECTION II

SUMMARY OF NEW ACCOUNTING STANDARDS AND EXPOSURE DRAFTS

Is your enterprise ready to face the changes?

During the last two years the Institute of Certified Public Accountants of Singapore (ICPAS) has rapidly accelerated its harmonisation programme designed to bring the Singapore Statements of Accounting Standards (SAS) in line with the International Accounting Standards (IAS). By issuing over a dozen revised accounting standards or exposure drafts during the last two years, the ICPAS has rewritten the book on accounting in Singapore. Many of the standards issued cover material that has not been addressed previously. Some standards demand retrospective application and therefore a detailed study is urgently necessary to measure the impact on your enterprise.

When all the current exposure drafts have been approved, Singapore would have adopted the core set of IASB standards. The ICPAS announced in August 2000 that they will accelerate the process of standard-setting by publishing exposure documents at approximately the same time as IASB exposure drafts, allowing enterprises to simultaneously comply with SAS and IAS. Please note that compliance with IAS will require that all standards are implemented on the IAS effective dates. Hence, full compliance with SAS will not mean full compliance with IAS.

It is important to understand that these sweeping changes to the SAS are mandatory. SAS 1 clearly states that:

> "*Financial statements should **not** be described as complying with Statements of Accounting Standard unless they comply with all the requirements of each applicable Standard.*"

Many of the accounting treatment options previously available are now eliminated by clear requirements with regard to recognition, measurement and disclosure. The standards do allow for a "true and fair" override of the standard when compliance would result in the financial statements not being true and fair. This does not mean that alternative treatments are acceptable if they result in the financial statements being true and fair. "Cherry-picking", whereby enterprises pick the part of the standards they want to apply and ignore the rest, is not allowed. It is full compliance with the standards from the effective dates.

Below you will find a summary of recently approved standards and exposure drafts. These short summaries highlight major changes to the current accounting practice in Singapore. We would like to emphasise the importance of reading the full standards to get an understanding of how they specifically influence your enterprise. Attention should be given to the comprehensive disclosure requirements in the standards. Also, please note that comparative information is required to be restated in most cases.

SAS 8 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies

This revised standard is effective for financial statements covering periods beginning on or after 1 July 2000. An interpretation of this standard from the IASB, SIC 18 (ED/INT 23), indicates that for accounting standards that provide for alternative treatments, an enterprise must adopt and consistently apply the accounting policy for all transactions. That would include adopting a policy for changes in accounting policy. The benchmark treatment requires the effect of a change in accounting policy to be taken to the opening balance of retained earnings with prior periods adjusted. The allowed alternative treatment requires the effect to be taken to the income statement in the current period and the benchmark treatment shown as a pro-forma note to the financial statements. The selection of method will be important, as these new standards will require a sizeable number of changes of accounting policies to be reported.

Significant Changes:

- The standard now defines as ordinary activities a number of circumstances that have been treated as extraordinary items for certain companies in the past. The examples provided are:

  (a) the write-down of inventories to net realisable values or property, plant and equipment to recoverable amount, as well as the reversal of such writedowns;
  (b) a restructuring of the activities of an enterprise and the reversal of any provisions for the costs of restructuring;
  (c) disposals of items of property, plant and equipment;
  (d) disposals of long-term investments;
  (e) discontinued operations;
  (f) litigation settlements; and
  (g) other reversals of provisions.

  The standard also limits examples of extraordinary items to expropriation of assets and natural disasters such as an earthquake. Please note that discontinued operations are not extraordinary items.

SAS 10 Events after the Balance Sheet Date

This revised standard is effective for financial statements covering periods beginning on or after 1 October 2000.

Significant Changes:

- When an enterprise proposes or declares a dividend after the balance sheet date it may show the proposed dividend on the face of the balance statement or in the notes. If the dividend is shown on the face of the balance sheet, it must be shown as a component of equity, and not as a liability. *A dividend proposed or declared after the balance sheet may still be reflected on the income statement in accordance with the SAS 1 requirement that dividends per share be shown on the face of the income statement or in the notes.*

- The date that the financial statements are approved for issue must be shown on the face of the financial statements or in the notes.

SAS 12 Income Taxes

This revised standard is effective for financial statements covering periods beginning on or after 1 April 2001. This revision of the existing standard will require your enterprise to review previous deferred tax calculations in light of the changes, and then identify the tax base and compare it with the carrying amounts. Net deferred tax assets or tax assets rising from tax losses should be reviewed and perhaps be recognised in accordance with the standard.

Significant changes:

- The original SAS 12 required an enterprise to account for deferred tax using either the deferral method or a liability method. Enterprises were allowed to only recognise partial deferred tax.

  Rather than applying an income statement approach using a liability method or a deferral method, the revised standard takes a balance sheet approach under which the carrying amount of assets and liabilities in the balance sheet are compared with their tax base. The resulting differences -

called temporary differences - are multiplied by the applicable tax rate. With limited exception, all such deferred tax liabilities must be recognised in the balance sheet, whereas, subject to limited exceptions, deferred tax assets are recognised in the balance sheet only to the extent that it is probable that there will be sufficient taxable profits in the future to enable the asset to be recovered.

The revised standard requires the tax to be charged or credited wherever the underlying transaction has been recognised, i.e., the income statement, equity, or, in the case of fair value adjustments, goodwill.

- Deferred tax assets should be recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Where an enterprise has a history of tax losses, the enterprise recognises a deferred tax asset only to the extent that the enterprise has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available.

- The revised standard requires an enterprise to recognise a deferred tax liability arising from undistributed profits of subsidiaries, associates and joint ventures except when: (a) the parent or investor is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. If not recognised, the amount of temporary differences concerned should be disclosed.

- The revised standard requires an enterprise to recognise the deferred tax liability or asset resulting from fair value adjustments made on a business combination with a corresponding effect on goodwill or negative goodwill.

- Measurement of deferred tax liabilities and deferred tax assets should be based on the tax consequences that would follow from the manner in which the enterprise expects to recover or settle the carrying amount of its assets and liabilities.

- The revised standard requires comprehensive disclosures including a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s) or a numerical reconciliation between the average effective tax rate and the applicable tax rate.

- Figures (1a) and (1b) illustrates some of the disclosure required in the standard, numerical reconciliation of applicable tax rate and effective tax rate (1a), and disclosure of deferred tax (1b).

	Year Ended 31/12/01	Year Ended 31/12/00
	S$'000	S$'000
Tax		
Current tax on the profit for the year	603	364
Change in deferred tax on the profit for the year	75	91
Other taxes, exchange adjustment, etc.	3	-5
Adjustments concerning previous years	12	-26
Total	693	424
The tax breaks down as follows:		
Tax on profit statutory rate	681	512
Adjustment of deferred tax for previous years due to change in statutory tax rate	12	-88
Total	693	424
Applicable tax rate		
Statutory tax rate	32%	32%
Effect of difference in tax rate compared with 32%	1%	1%
Non-taxable income and non-deductible expenses	-1%	1%
Utilisation of non-capitalised tax losses	-	-1%
Effect of change in statutory tax rate	-	-4%
Others, including adjustments concerning prior years	1%	-3%
Effective tax rate before amortisation of goodwill	33%	26%
Non-deductible amortisation of goodwill	11%	5%
Effective tax rate	44%	31%

Figure (1a)

	Year Ended 31/12/01	Year Ended 31/12/00
	S$'000	S$'000
Provision for deferred tax		
Deferred tax at 1 January	1,591	1,496
Tax concerning new/sold undertakings	-206	-29
Adjustment due to change in corporation tax rate	-	-62
Effect of writedown of fixed assets	-120	-
Change in deferred tax concerning the profit for the year	75	153
Balance at 31 December	1,340	1,558

Specification of deferred tax	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax, net**
Intangible fixed assets	50	60	10
Tangible fixed assets	198	1,302	1,104
Financial fixed assets	-	45	45
Current assets	95	152	57
Amounts falling due within one year	152	228	76
Amounts falling due after more than one year	216	159	-57
Tax loss carried forward	128	-	-128
Non-capitalised tax assets in balance sheet items	-233	-	233
Tax assets / liabilities	505	1,946	1,340
Offset between legal entities and jurisdictions	-438	-438	-
Deferred tax at 31 December 2001	**168**	**1,508**	**1,340**
Deferred tax at 31 December 2000	**45**	**1,603**	**1,558**

Figure (1b)

The tax base of non-capitalised tax losses carried forward amounts to S$458,000. Around 70 per cent of this will be used within the next five years. Deferred tax on investments in subsidiaries not recorded as a liability amounts to S$75,000 (2000 S$108,000).

SAS 17 Employee Benefits

This is a new standard on employee benefits and it is effective for financial statements covering periods beginning on or after 1 October 2000. The standard is complex and implementation will require an actuary if the enterprise has material defined benefit pension plans or other post employment benefits plans. Furthermore, the disclosure requirements are extended.

Significant Issues:

- The standard covers both short-term employee benefits (bonuses, annual leave, etc.), post-employment benefits (pensions and other retirement benefits), other long term benefits (long service leave), termination benefits and equity compensation benefits. The standard does not cover recognition and measurement requirements for equity compensation benefits, including share options. It does mandate disclosure requirements, including a requirement that the enterprises' accounting policy for share-based compensation be disclosed.

- The principle underlying all of the detailed requirements of the standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable. For example, legal or constructive obligations to pay a bonus are recognised in the period earned and accrued as a liability even if determined after the balance sheet date.

- Non-accumulating compensated absences (e.g. maternity leave) are expensed as earned, while accumulating compensated absences are accrued as a liability to the extent that experience shows that individual employees will use accumulated leave in excess of the leave earned in the future period.

While few Singapore companies have post-employment defined benefit pension plans, these plans may be present in foreign subsidiaries requiring consolidation. As a result, the assistance of actuarials and other specialists may be needed in calculating the fund assets and the plan liabilities.

SAS 22 Business Combinations

This revised standard is effective for financial statements covering periods beginning on or after 1 October 2000. The changes from the existing standard are radical. Consequently, some companies will find this a totally new way of accounting for business combinations. Retrospective application of most aspects of this standard is encouraged, but not required. One exception is when goodwill from previous acquisitions remains eliminated against equity. In this case, goodwill should be reclassified to the income statement when the acquired enterprise is disposed of or closed.

Significant changes:

- It is no longer permitted to write-off goodwill against, or credit negative goodwill to, shareholders' interests in the year of acquisition. Goodwill should be recognised as an asset and carried at cost less accumulated amortisation calculated on a systematic basis over its useful life. The standard establishes a rebuttable presumption that the period of amortisation will be 20 years or less. The amortisation period and method should be reviewed at a minimum at each financial year-end.

- The rules for recognition of negative goodwill have also been changed. To the extent that negative goodwill relates to expectations of future losses and expenses, that portion of negative goodwill should be recognised as income in the income statement when future losses and expenses are recognised. To the extent that negative goodwill does not relate to future losses and expenses, the amount of negative goodwill not exceeding the fair value of acquired identifiable non-monetary assets should be recognised as income on a systematic basis over the remaining weighted average useful life of the acquired depreciable/amortisable assets. The remaining amount should be recognised as income immediately. Therefore, allocating this excess (or part of it) to reduce the fair values of identifiable assets acquired is no longer permitted. It should be noted that negative goodwill might reflect that assets obtained have been overvalued or liabilities obtained have not been recognised, or fully recognised.

- The revised standard requires negative goodwill to be presented in the balance sheet as a deduction from (positive) goodwill.

- Identifiable assets and liabilities acquired should be recognised only if it is probable that future economic benefits will flow to/from the acquirer and their costs or fair values can be reliably measured. These may include assets and liabilities that were not previously recognised in the financial statements of the acquiree. For example, tax assets from previous tax losses or intangible assets. The standard provides guidance on how to determine the fair value of each major category of assets and liabilities acquired.

- Subsequent to acquisition, the carrying amount of identifiable assets and liabilities may be adjusted if additional evidence become available to assess the original estimation. The carrying amount of assets and/or liabilities (and thereby the goodwill or negative goodwill) can be adjusted until the end of the first annual accounting period commencing after acquisition.

- Liabilities should not be recognised at the date of acquisition if they result from the acquirer's intentions or actions. Also, liabilities should not be recognised for future losses or other costs expected to be incurred as a result of the acquisition, whether they relate to the acquirer or the acquiree, as these are not liabilities of the acquiree at the date of acquisition. The standard does contain one exception to this rule. If the acquirer has developed plans that relate to the acquiree's business and an obligation comes into existence as a direct consequence of the acquisition, a provision could be recognised for the resulting costs if the following conditions are met:

    a. The provision can only be related to (a) compensating employees of the acquiree for termination of their employment, (b) closing facilities of the acquiree, (c) eliminating product lines of the acquiree or (d) terminating contracts of the acquiree.
    b. The acquirer must develop the main features of a plan, at or before the date of acquisition. The main features of the plan should be announced latest at the acquisition date, thus raising a valid expectation in those affected by the plan that it will be implemented.
    c. By the earlier of three months of the acquisition and the date the annual financial statements are authorised for issue, the main features of the plan should be developed into a detailed formal plan identifying at least (a) the business or part of a business concerned, (b) the principal locations affected, (c) the location, function, and approximate number of employees who will be compensated as result of terminating their services, (d) the expenditures that will be undertaken, (e) when the plan will be implemented.

These strict rules are a radical change to the current practice in Singapore as to when a provision can be recognised in business combinations.

SAS 30 Interim Financial Reporting

This new standard is effective for financial statement periods beginning on or after 1 October 2001. The objective of the standard is to prescribe the minimum content of an Interim Financial Report and the principles for recognition and measurement in financial statements presented for an interim period. The standard does not mandate which enterprises should publish interim financial reports, how frequently they should publish them or how soon after the end of an interim period.

Significant issues:

- An interim financial report is a financial report that contains either a complete or condensed (minimum) set of financial statements for a period shorter than an enterprise's full financial year.

- The **minimum components** specified for interim financial reports are:

  – condensed balance sheet;
  – condensed income statement including basic and diluted earnings per share;
  – condensed statement of changes in equity;
  – condensed cash flow statement; and
  – selected explanatory notes.

- An enterprise should apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, thus the principles for recognising assets, liabilities, income, and expenses for the interim periods are the same as in annual financial statements.

- There are also different requirements for comparative figures and year-to date results depending on which period is reported.

SAS 31 Provisions, Contingent Liabilities and Contingent Assets

This is a new standard on provisions, contingent liabilities and contingent assets. SAS 31 supersedes those parts of SAS 10 dealing with contingencies. It is effective for financial statements covering periods beginning on or after 1 October 2000. This standard defines the criteria for recognising a provision and the disclosure requirements.

The effect of adopting the statement on its effective date (or earlier) should be reported as an adjustment to the opening balance of retained earnings for the period in which the statement is first adopted. Enterprises are encouraged, but not required, to adjust the opening balance of retained earnings for the earliest period presented and to restate comparative information. If comparative information is not restated, this should be disclosed.

Since some of the provisions currently carried will not meet the criteria in the new standard, they will be derecognised by adjustment against retained earnings brought forward.

Significant issues:

- A provision should be recognised only when there is (1) a present obligation (legal or constructive) resulting from past events; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. The standard thus aims to ensure that only genuine obligations are dealt with in the financial statements. Planned future expenditures, even when authorised by the board of directors or equivalent governing body, are excluded from recognition. Therefore, provisions should not be recognised for future operating losses. Although, if an enterprise has a contract that is onerous, the present obligation under the contract should be recognised and measured as a provision.

- Contingent assets should not be recognised unless the realisation of income is virtually certain. A contingent asset should be disclosed if an inflow of economic benefits is probable.

- Contingent liabilities are disclosed unless an outflow of resources embodying economic benefits being required to settle the obligation is remote.

- The standard requires that provisions for restructuring can only be recognised when an enterprise has a detailed formal plan for the restructuring and has raised a valid expectation in those affected and that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. In other words, a management or board decision to restructure does not alone give rise to a constructive obligation – the decision has to be more or less 100% irreversible. A restructuring provision should include only the direct expenditures arising from the restructuring, these expenditures are those that are both: necessarily entailed by the restructuring; and not associated with the ongoing activities of the enterprise.

- Restructuring provisions do not include such costs as retraining or relocating continuing staff, marketing, or investment in new systems and distribution networks.

- The standard contains extensive disclosure requirements for each class of provisions. One of the requirements is a note explaining changes from the beginning to the end of the accounting year. A brief description of each provision should be disclosed, including the nature of the obligation and the expected timing of any resulting outflows of economic benefits. Unused amounts reversed during the period should be disclosed. Figure 2 illustrates some of the new disclosure requirements.

	Warranty provision S$'000	Restructuring provision S$'000	Other S$'000	Total S$'000
At 1 January 2000	1,572	-	493	2,065
Additional provision in the year	946	14,170	58	15,174
Utilisation of provision	(298)	(8,112)	(279)	(8,689)
At 31 December 2000	2,220	6,058	272	8,550

The warranty provision represents management's best estimate of the Group's liability under 12 month warranties granted on electrical products, based on prior experience and industry averages for defective products.

The restructuring provision relates to redundancy costs incurred on the disposal of Subsix Limited. As at 31 December 2000, approximately 50% of the workers had been retrenched, with the remainder departing in January 2001.

Figure (2)

- The standard does provide exemption from certain disclosure requirements if it is expected to prejudice seriously the position of the enterprise in a dispute with other parties. In such cases the enterprise should disclose the general nature of the dispute and the reason why, the information has not been disclosed.

- The standard, along with INT 14*, Property, Plant and Equipment - Major Inspections or Overhaul Costs*, significantly changes the accounting treatment for major overhaul costs, such as drydocking. In the past, these costs were provided for over the period of use prior to the overhaul and the expense was offset against the provision as incurred. This is not allowed under the new standard, as there is no obligation to perform the overhaul. The standard requires that any provision not meeting the required criteria be derecognised to retained earnings. INT 14 requires that the overhaul costs be recognised as a separate component of the asset when the cost is incurred or that the cost be expensed as incurred. If capitalised, the asset would be amortised over its useful life, which would usually be the period to the next major overhaul. When an asset is acquired, an estimate should be made of future overhaul costs and this should be deducted from the cost of the asset and treated as a separate asset. The interpretation states that its adoption should be treated prospectively as a change in estimate, with only the current period costs recognised and past costs remaining unchanged. As a result, only major overhaul costs incurred after the adoption of INT 14 may be capitalised.

Figure 3 illustrates the decision process when providing for provisions and contingent liabilities.

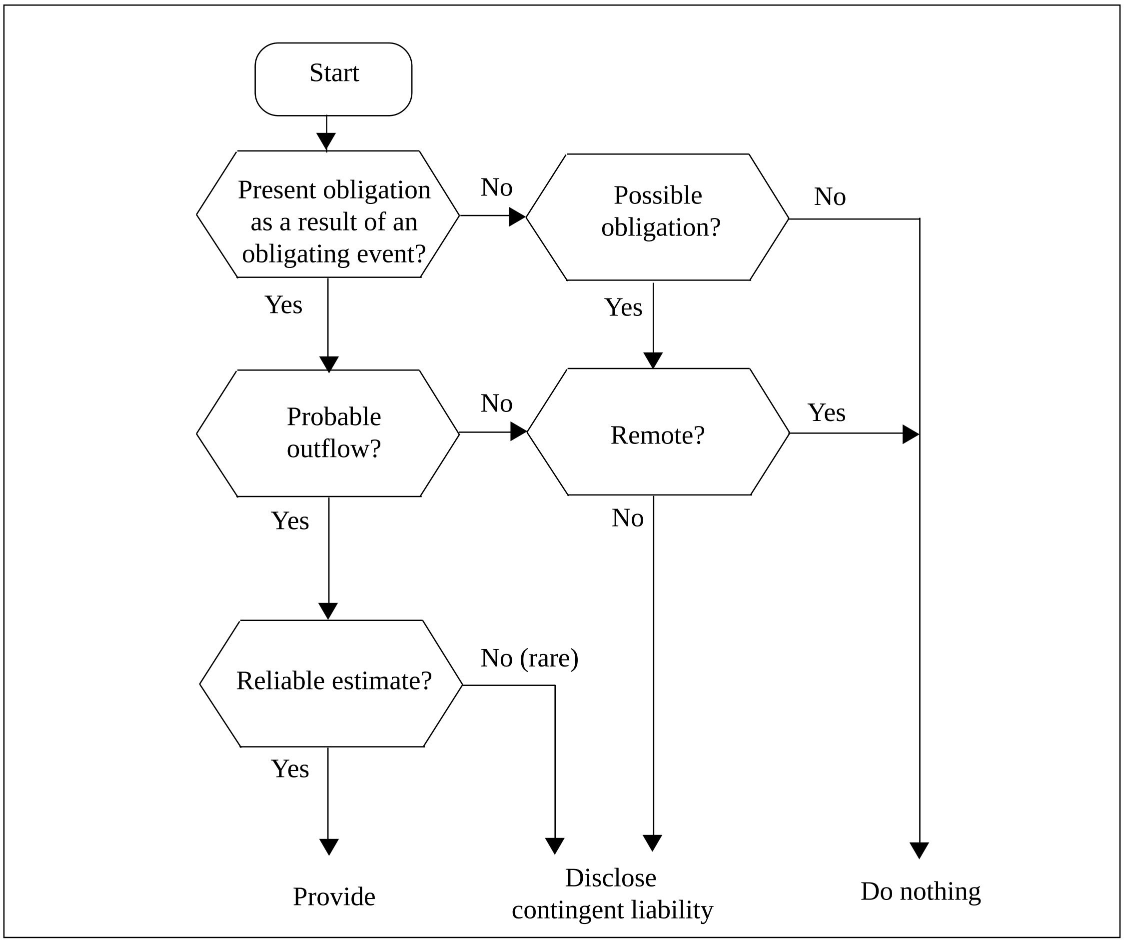

Figure (3)

SAS 32 Financial Instruments: Disclosure and Presentation

This is a new standard on disclosure and presentation of financial instruments and it is effective for financial statements beginning on or after 1 October 2000. The disclosure requirements are very comprehensive and include the disclosure of sensitive risk management policies.

The objective of the standard is to enhance a user's understanding of the significance of on-balance sheet and off-balance sheet financial instruments to an enterprise's financial position, performance and cash flow. It is important to understand that the definition of financial instruments includes both **primary instruments** (such as receivables, payables and equity securities), and **derivative instruments** (such as financial options, future and forward contracts, and interest rate and currency swaps).

Significant Issues:

- The standard requires the separation of compound financial instruments into liability and equity components. While enterprises previously account for bonds with embedded warrants as a debt instrument, they will now be required to allocate the fair value of the compound instrument between the bond element (liability) and the warrant element (equity). The warrant is capitalised as a reserve until the warrant is exercised and valued at either its fair value or the difference between the fair value of the compound instrument and the fair value of the liability component. The bond is valued based on market interest rates, not the rate paid on the bond. Any expenses associated with the issuance of the debt is offset against the proceeds and subsequently amortised as part of the bond discount. The discount requires amortisation to the income statement over the period of the bond to accurately reflect the effective interest rate of the bond. Therefore, an interest rate is used that when applied to the carrying amount of the bond payable allows the payable to equal the face amount of the bond upon maturity.

- Preference shares in some cases are classified as a liability. If the issuer has the exclusive option to redeem the shares they would be classified as equity.

- The standard includes extensive disclosure requirements, but does not prescribe a format or location for these disclosures related to:

  – information about factors that affect the amount, timing and certainty of cash flows related to financial instruments;

  – accounting policies related to the recognition and measurement of financial instruments, hedging and derivatives; and

  – risk management policies, interest rate risk, credit risk, fair value of financial instruments and hedges of future transactions.

- Interest, dividends, losses and gains relating to a financial liability are reflected in the income statements, while distributions to holders of equity instruments are reflected in equity.

SAS 33 Financial Instruments: Recognition and Measurement

This is a new standard on recognition and measurement of financial instruments and it is effective for financial statements covering financial years beginning on or after 1 July 2001. This statement supersedes the part of SAS 25 relating to investments that are financial assets according to SAS 33. SAS 25 will hereafter only cover requirements for investment property, which in 2002 should be superseded by ED/SAS 40 Investment Property. The standard is very complex and implementation of the standard will require considerable resources. The standard also contains comprehensive disclosure requirements. Retrospective application is not permitted, but a detailed study is necessary to understand the impact of the transitional provisions on all financial assets and liabilities, as well as hedges upon adoption of the standard.

Before SAS 33, companies had relative freedom to manage the timing of gains and losses on investments. Investments were carried at cost, with gains only being shown in note disclosures, if at all. Alternatively, they were measured at fair value with gains and losses deferred in equity. Gains and losses were recognised in the income statement only when investments were sold, or in the case of some gains, by transferring investments from long-term to current.

Financial Assets and Liabilities

Definitions

Trading financial asset and liabilities are ones that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. A financial asset should be classified as held for trading if, regardless of why it was acquired, it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. Derivative financial assets and derivative financial liabilities are always deemed held for trading unless they are designated and effective hedging instruments.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity other than loans and receivables originated by the enterprise.

Originated loans and receivables are financial assets that are created by the enterprise by providing money, goods, or services directly to a debtor, other than those that are originated with the intent to be sold immediately or in the short term, which should be classified as held for trading.

Available-for-sale financial assets are those financial assets that are not (a) loans and receivables originated by the enterprise, (b) held-to-maturity investments, or (c) financial assets held for trading.

Initial Classification of Financial Assets and Liabilities

When this standard is adopted all financial assets and liabilities must be identified, classified and measured. Figure 6 on page 18 below outlines the process for classifying financial assets. It is important that each question is asked in the order shown in the diagram to ensure proper classification. Liabilities are classified simply by determining whether the liability is held for short-term profit on fluctuations in price. If that is the case, it is trading, otherwise, it is available- for-sale. When the asset or liability is classified at the beginning of the financial year in which this Standard is initially applied, an enterprise should apply the criteria in paragraphs 66-102 to identify those financial assets and liabilities that should be measured at fair value and those that should be measured at amortised cost, and it should remeasure those assets as appropriate. Any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained earnings at the beginning of the financial year in which this Standard is initially applied.

Subsequent Measurement

Figure 4 below summarises the key accounting treatment for Assets, Liabilities and Derivatives following initial recognition:

Category	Subsequent Measurement	Presentation of Changes in Value	Impairment Test of the Carrying Amount
Assets			
1. Trading Asset	Fair value	Income Statement	No
2. Originated Loan or Receivable	Amortised cost	Income Statement	Yes
3. Held-to-maturity Investment	Amortised cost	Income Statement	Yes
4. Available-for-sale Asset	Fair value[1]	Income Statement or equity (one-time choice)	Yes – if changes are deferred in equity
Liabilities			
1. Trading	Fair value	Income Statement	No
2. Other	Amortised cost	Income Statement	No
Derivatives			
1. Trading	Fair value	Income Statement	No
2. Hedge	Fair value	Income Statement	Fair value Hedge
	Fair value	Equity[2]	Cash flow Hedge

[1] Except, where in rare cases, when fair value cannot be reliably measured.

[2] To be released to the income statement when the hedge item is realised.

Figure (4)

Transfers of Between Categories of Financial Assets

An enterprise may find that they want to or need to change the classification of a financial asset to reflect changing circumstances. The table Figure (3) below summarises the restrictions on such transfers.

Transfers To: / Transfers From	Trading	Originated Loans and Receivables	Held-to-Maturity	Available-for-Sale
Trading		Not permitted	Not permitted	Not permitted
Originated Loans and Receivables	If pattern of short-term profit-taking		Not permitted	Not permitted
Held-to-Maturity	May result in tainting	Not permitted		May result in tainting
Available-for Sale	If pattern of short-term profit-taking	Not permitted	If change in intent and all criteria are met	

Figure (5)

Significant Issues:

- The standard requires that all financial assets and financial liabilities should be recognised on the balance sheet. Subsequent to initial recognition at cost, all financial assets should be remeasured to fair value, except:

  a. loans and receivables originated by the enterprise and not held for trading,
  b. other fixed maturity investments that your enterprise intends and is able to hold to maturity,
  c. financial assets whose fair value cannot be reliably measured.

  These financial instruments listed above should, as an exception to the main rule, be carried at amortised cost. Amortised cost is cost at initial recognition, plus or minus the cumulative amortisation of any difference between the initial amount recognised and the amount at maturity, minus any write-down in value.

- All financial liabilities should be recognised at amortised cost, except liabilities held for trading - they should be remeasured to fair value. Amortised cost is the proceeds from issuing the liability, net of transaction costs amortised over the life of the liability so that the carrying amount at maturity is the amount repayable at maturity.

- For those financial assets and liabilities that are carried at fair value, an enterprise will have a single, enterprise-wide option to either:

  a. recognise the entire fair value adjustment in net profit or loss for the period; or
  b. recognise in net profit or loss for the period only those changes in fair value relating to financial assets and financial liabilities held for trading, with the value changes for non-trading instruments reported in equity until the financial asset is sold, at which time the realised gain or loss is reported in net profit or loss. For this purpose, derivatives are always deemed held for trading unless they are part of a hedging relationship that qualifies for hedge accounting.

- SAS 33 requires that an impairment loss be recognised for a financial asset whose recoverable amount is less than the carrying amount as this indicates that the impairment is permanent. Guidance is provided for calculating impairment in SAS 36 .

- SAS 33 establishes conditions for determining when control over a financial asset or liability has been transferred to another party. For financial assets, a transfer normally would be recognised if (a) the transferee has the right to sell or pledge the asset and (b) the transferor does not have the right to reacquire the transferred assets. For example, if trade receivables were discounted without recourse, they would be removed from the books and a gain or loss would be recognised on the sale. *If the transaction did not qualify as a transfer, as when the receivables are discounted with full recourse that could result in the assets being returned to the transferor, the asset remains on the books, a liability is established and the difference between the proceeds and the liability is recorded as a discount and amortised, with future payments reducing the value of the asset and liability (See IAS 39, IGC Question 38-2). If the receivable is sold with recourse that will not result in the assets being returned to the transferor, as is the case when recourse is given by way of a guarantee, the asset is derecognised and a separate liability is recorded equal to the fair value of the guarantee (See IAS 39, IGC 37-1).* The standard provides further requirements for partial derecognition of assets. With respect to derecognition of liability (or part thereof) either judicially or by the creditor, if part of a financial asset or liability is sold or extinguished, the carrying amount is split based on relative fair values.

- On initial adoption of SAS 33, adjustments to bring derivatives and other financial assets and liabilities onto the balance sheet and adjustments to remeasure certain financial assets and liabilities from cost to fair value will be made by adjusting retained earnings directly. Figure 4 illustrates the subsequent measurement requirements for each type of asset, liability and derivative.

- This standard establishes rules for the recognition, derecognition and measurement of financial liabilities. An enterprise's own equity instruments are excluded from its scope. It is increasingly important to establish clear boundaries between what is and what is not a liability, particularly in borderline cases where instruments have characteristics of both liabilities and equity. In the case of compound instruments, the two components are accounted for separately and interest, dividends, gains or losses are accounted for in income or equity based on the underlying instrument. This is covered in SAS 32.

- An enterprise should recognise normal purchases and sales of financial assets in the market place either at trade date or settlement date. Certain value changes between trade and settlement dates are recognised for purchases if settlement date accounting is used.

- Transaction costs should be included in the initial measurement of all financial instruments.

- SAS 33 also impacts a number of other standards, including SAS 26 and SAS 27, which now allow investments in subsidiaries and associates to be accounted for as available-for-sale financial assets in the parent's accounts. This treatment is not allowed in the consolidated accounts. It is allowed for joint ventures if the investor does not have joint control.

Figure 6 decision tree for classifying financial assets under SAS 33

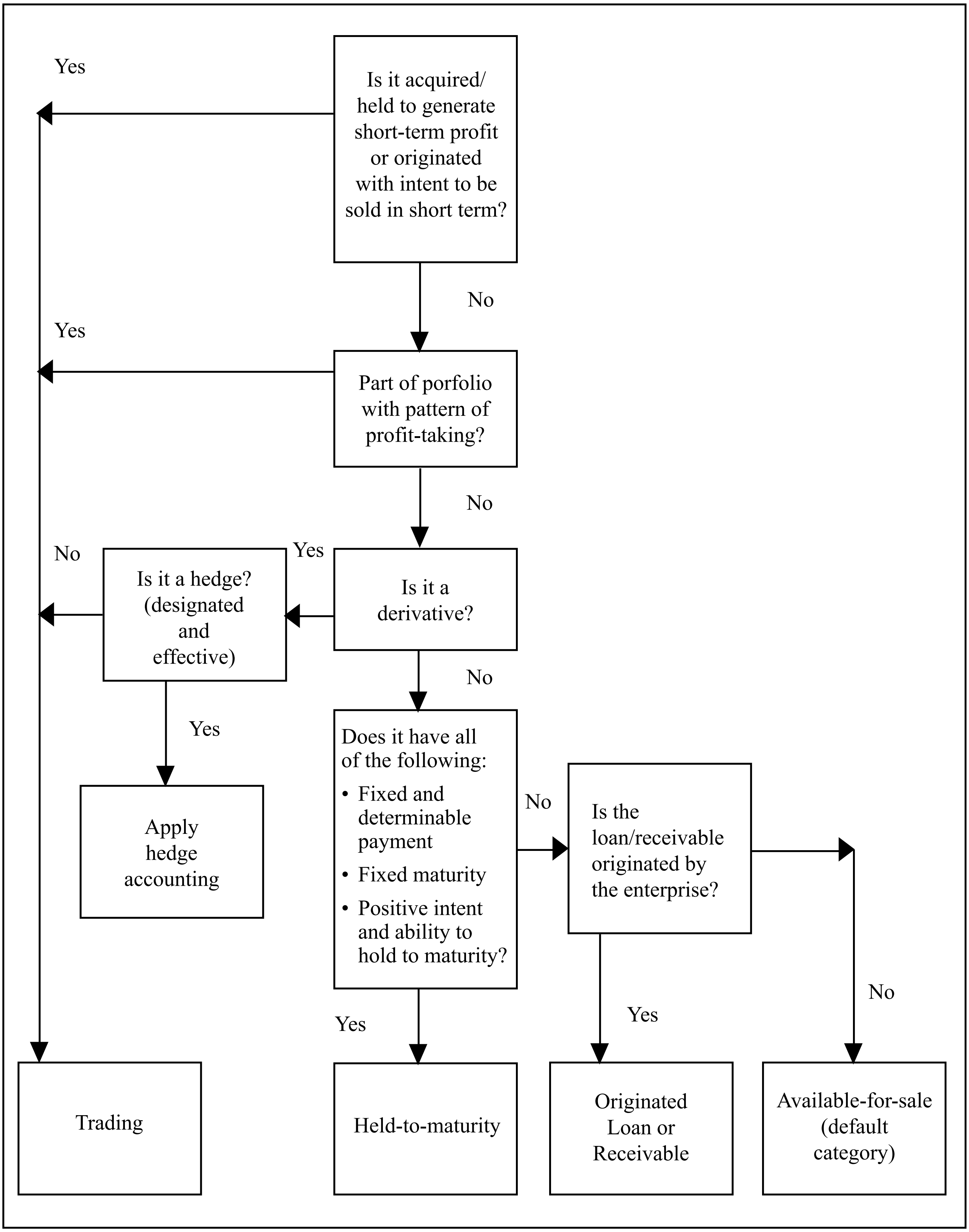

Figure (6)

Derivatives and Hedging

Definitions

A **derivative** is a financial instrument:

(a) whose value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or similar variable (sometimes called the 'underlying');

(b) that requires no initial net investment or little initial net investment relative to other types of contracts that have a similar response to changes in market conditions; and

(c) that is settled at a future date.

Sometimes, a derivative may be a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract — with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. Such derivatives are sometimes known as **'embedded derivatives'**, and are covered extensively in the standard.

Initial adoption

At the beginning of the financial year in which this Standard is initially applied, an enterprise should recognise all derivatives in its balance sheet as either assets or liabilities and should measure them at fair value. Because all derivatives, other than those that are designated hedging instruments, are considered held for trading, the difference between previous carrying amount (which may have been zero) and fair value of derivatives should be recognised as an adjustment of the balance of retained earnings at the beginning of the financial year, other than for a derivative that is a designated hedging instrument.

Definitions Relating to Hedge Accounting

Hedging, for accounting purposes, means designating one or more hedging instruments so that their change in fair value is an offset, in whole or in part, to the change in fair value or cash flows of a hedged item.

A hedged item is an asset, liability, firm commitment, or forecasted future transaction that (a) exposes the enterprise to risk of changes in fair value or changes in future cash flows and that (b) for hedge accounting purposes, is designated as being hedged.

A hedging instrument, for hedge accounting purposes, is a designated derivative or (in limited circumstances) another financial asset or liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. Under this Standard, a non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates.

Hedge effectiveness is the degree to which offsetting changes in fair value or cash flows attributable to a hedged risk are achieved by the hedging instrument.

Initial Adoption

A hedging relationship qualifies for special hedge accounting if, and only if, all of the following conditions are met:

(a) at the inception of the hedge there is formal documentation of the hedging relationship and the enterprise's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the enterprise will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;

(b) the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;

(c) for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;

(d) the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measure; and

(e) the hedge was assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period.

Significant issues

- Hedging, for accounting purposes, means designating a derivative or (only for hedges of foreign currency risks) a non-derivative financial instrument as an offset in net profit or loss, in whole or in part, to the change in fair value or cash flows of a hedged item. Hedge accounting is permitted under SAS 33 in certain circumstances, provided that the hedging relationship is clearly defined, measurable, and actually effective. An enterprise's failure to properly document the hedge will invalidate hedge accounting treatment.

- The fair value of the derivatives should be recognised in the balance sheet, and fair value adjustments should be recognised in the income statement unless the requirements for hedge accounting are met.

- SAS 33 identifies three types of hedge: fair value hedges, cash flow hedges and hedges of a net investment in a foreign entity. Hedge accounting differs depending on the type of hedge. For fair value hedges, the hedged item is adjusted for changes in fair value to offset the changes in the fair value of the hedging instrument (derivative) recognised in the income statement. For cash flow hedges, changes in the fair value of the hedging instrument are recognised in equity until the hedged item has been recognised. For hedges of a net investment in a foreign entity, changes in the fair value of the hedging instrument are recognised in equity until the investment is disposed of.

- Hedge accounting is permitted only if an enterprise designates a specific hedging instrument as a hedge of a change in fair value or cash flow of a specific hedged item, rather than as a hedge of an overall net balance sheet position. However, the approximate income statement effect of hedge accounting for an overall net position can be achieved, in some cases, by designating part of one of the underlying items as the hedged position.

- For hedges of forecasted transactions that result in the recognition of an asset or liability, the gain or loss on the hedging instrument will adjust the basis (carrying amount) of the acquired asset or liability.

- The IASB has appointed an IAS 39 Implementation Guidance Committee (IGC) to review and approve questions and answers related to IAS 39 (which is identical to SAS 33). The IGC has issued five final batches and a sixth batch draft of Questions and Answers. These may be download from the Deloitte & Touche IASPlus website: www.iasplus.com, in the section on standards, under IAS 39. These questions and answers are organised by the applicable paragraphs in IAS 39, and in some cases IAS 32 (which is identical to SAS 32).

SAS 34 Intangible Assets

This standard is effective for financial statements covering periods beginning on or after 1 October 2000. It supersedes SAS 9, *Research and Development Costs*. The objective of this standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another SAS. The standard contains comprehensive disclosure requirements. The standard requires retrospective application whenever this is necessary to eliminate an item that no longer qualifies for recognition or if the previous measurement of an intangible asset contradicts the principles in the standard.

Significant issues:

- This standard defines an intangible asset as an identifiable, non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. Also, the asset must control and be clearly identifiable. For example, an enterprise may have a portfolio of customers, but in the absence of legal rights to protect or other means to control, such items would not meet the definition of an intangible asset.

- This standard requires an enterprise to recognise an intangible asset (at cost) if, and only if:

  a. it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and
  b. the cost of the asset can be measured reliably.

  This requirement applies whether an intangible asset is acquired externally or generated internally.

- Expenditure required by the standard to be recognised as an expense include:

  – expenditure on research (expenditure on development is treated as an intangible asset if the recognition criteria are met);
  – internally generated goodwill, brands, mastheads, publishing titles, customer lists and items similar in substance should not be recognised as assets;
  – **expenditure on start-up activities (start-up costs)** costs such as legal and secretarial costs incurred in establishing a legal entity, expenditure to open a new facility or business (pre-opening costs) or expenditure for commencing new operations or launching new products or processes (pre-operating costs);
  – expenditure on training activities;
  – expenditure on advertising and promotional activities; and
  – expenditure on relocating or re-organising part or all of an enterprise.

  These expenditures may be recognised as identifiable assets if required as part of a business combination and the criteria for an intangible asset is met.

  Subsequent expenditure on an intangible asset should be recognised as an expense unless: it enhances the benefits originally expected from the asset and the cost can be reliably measured. If these conditions are met, the subsequent expenditure should be added to the cost of the intangible asset.

- Expenditure on an intangible item that was initially recognised as an expense by a reporting enterprise in previous annual financial statements or interim financial reports should not be recognised as part of the cost of an intangible asset at a later date.

- After initial recognition, the benchmark treatment is that intangible assets should be carried at cost less any amortisation and impairment losses. It includes a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset and all other assets in its class is available for use. The allowed alternative treatment is that the asset is carried at a revalued amount (based on fair value) less any subsequent amortisation and impairment losses. **Revaluations of intangible assets are permitted only if the fair value can be determined by reference to a quoted market price in an active market. Such markets are expected to be rare for intangible assets.**

- The transitional provisions for this standard are complex. For assets such as pre-operating expenses that do not meet the recognition criteria, derecognition will be required. While derecognition of an asset usually is reflected in the income statement, the transitional provisions require that the effect of the accounting policy brought about by initial adoption of this standard be treated in accordance with the enterprise's policy of using the benchmark or alternative method shown in SAS 8 for changes in accounting policy. If the benchmark treatment is used, the asset is derecognised and accounted for as though it was initially expensed. This results in an adjustment in the prior period and a restatement to the opening balance of retained earnings in the earliest period, with no effect on the current year's income.

SAS 35 Discontinuing Operations

This is a new standard on discontinuing operations effective for financial statements covering periods beginning on or after 1 October 2000. This standard supersedes those paragraphs of SAS 8 that deals with discontinuing operations. The objective of this standard is to establish principles for reporting information about discontinuing operations by segregating information about discontinuing operations from information about continuing operations. This should enhance the ability of users of financial statements to make projections of an enterprise's operating cash flows, earnings generating capacity and financial position, The standard does not establish any recognition or measurement principles in relation to discontinuing operations – these are dealt with under other SAS, such as SAS 31 and SAS 36.

Significant issues:

- A discontinuing operation is a relatively large component of an enterprise – such as a business or geographical segment under SAS 23, *Segment Reporting* – that the enterprise, pursuant to a single plan, either is disposing of substantially in its entirety or is terminating through abandonment or piecemeal sale. Thus a discontinuing operation is not necessarily the sale of a single subsidiary.

- Information about a planned discontinuance must initially be disclosed in the first set of financial statements issued by an enterprise after:

  a. the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or
  b. the enterprise's board of directors or similar governing body has both (i) approved a detailed, formal plan for the discontinuance and (ii) made an announcement of the plan.

- Required disclosures include:

  a. a description of the discontinuing operation;
  b. the business or geographical segment(s) in which the discontinuing operation is reported;
  c. the date and nature of the initial disclosure event;
  d. the timing of expected completion of the plan of discontinuance;

e. the carrying amounts of the total assets and the total liabilities to be disposed;
f. the amounts of revenue, expenses, and pre-tax profit or loss attributable to the discontinuing operation, and related income tax expense;
g. the net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation;
h. the amount of any gain or loss that is recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation, and related income tax expense; and
i. the net selling prices, after disposal costs, from the sale of those net assets for which the enterprise has entered into one or more binding sale agreements, and the expected timing thereof, and the carrying amounts of those net assets.

- Financial statements for periods after initial disclosure must update those disclosures, including a description of any significant changes in the amount or timing of cash flows relating to the assets and liabilities to be disposed of or settled and the causes of those changes.

- The specified disclosures are required to be presented separately for each discontinuing operation.

- Prior periods will need to be restated to provide compatibility.

SAS 36 Impairment of Assets

This is a new standard on impairment of assets effective for financial statements covering periods beginning on or after 1 October 2000. In advance of the implementation of SAS 36, requirements regarding recognition of impairment loss for specific categories of assets were contained in other standards. The objective of SAS 36 is to prescribe the procedures that an enterprise should apply to ensure that its assets are carried at no more than their recoverable amount and to define how the recoverable amount is calculated. The Standard should be applied on a prospective basis only.

An annual test is required such that an asset is measured at the higher of its net selling price and value in use. The value in use is the present value of estimated future cashflows for its continuing use and proceeds on disposal at the end of its useful life. The standard also prescribes when an enterprise should reverse an impairment loss and specifies certain disclosures for impaired assets. It applies to all tangible and intangible assets.

Significant issues:

- According to SAS 36, enterprises are required to assess, **at each balance sheet date**, whether there is any indication that an asset may be impaired. In making this assessment, the enterprise is required to consider a number of internal and external sources of information, which may provide indications of impairment. If there is any such indication, the enterprise is required to estimate the recoverable amount of the asset (i.e. the higher of the asset's net selling price and its value in use) in the manner described in the standard.

  If the recoverable amount of the asset is determined to be **less** than its carrying amount, an impairment loss should be recognised so as to reduce the carrying amount to its recoverable amount. If the asset is carried at a revalued amount under SAS 14 *Property, Plant and Equipment,* the impairment loss should be treated as a revaluation decrease under that standard. In all other circumstances, the impairment loss should be recognised as an expense in the income statement immediately.

- Where it is not possible to estimate the recoverable amount of an individual asset for which there is an indication of impairment, the enterprise is required to determine the recoverable amount of the cash-generating unit to which the asset belongs. An asset's cash-generating unit is the smallest group of assets that includes the asset, and that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash-generating unit involves judgement. The standard contains detailed guidance for the identification of cash-generating units and for the allocation of identified impairment losses among the individual assets of the cash-generating unit.

- The enterprise is also required to assess at each balance sheet date whether there is any indication that an impairment loss recognised for an asset in prior years may no longer exist or may have decreased. *If a reversal has occurred, the carrying amount of the asset should be increased to its recoverable amount (subject to the limit that the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years).*

- The reversal of an impairment loss in relation to goodwill is permitted only if both of the following conditions are met:

  a. the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur; and
  b. subsequent external events have occurred that reverse the effect of that event.

SAS 37 Information Reflecting the Effects of Changing Prices

This is a new standard on disclosure related to the effects of changing prices. It is effective for financial statements covering periods beginning on or after 1 April 2001. The objective of SAS 37 is to disclose financial information that adjusts for the impact of inflation or deflation, thereby making the information more comparable from period to period.

This new standard's disclosure requirements that will be made voluntary by ED/SAS 44 for all entities in Singapore (IAS already makes disclosure voluntary). As a result, few, if any, companies will provide this information. For those that do, disclosure is to be made only at the consolidated level. Two approaches are generally used: the general purchasing power approach and the current cost approach.

The general purchasing power approach involves the restatement of some or all of the items in the financial statements for changes in the general price level. Under this approach, income normally reflects the effects, using an appropriate index, of general price level changes on depreciation, cost of sales and net monetary items and is reported after the general purchasing power of the shareholders' equity in the enterprise has been maintained.

The current cost approach is found in a number of different methods. In general, they use replacement cost as the primary measurement basis. However, if replacement cost is higher than both net realisable value and present value, the higher of net realisable value and present value is usually used as the measurement basis.

SAS 38 Financial Reporting in Hyperinflationary Economies

This is a new standard effective for financial statement periods beginning on or after 1 April 2001 and requires financial information reported in a hyperinflationary economy to be stated in terms of the current measuring unit at the balance sheet date. In effect, this requires the financial statements to be restated to reflect the lost purchasing power of the money.

The financial statements of an enterprise, or the group accounts that include an enterprise, that reports in the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, should be stated in terms of the measuring unit current at the balance sheet date. Indications that an enterprise functions in a hyperinflationary economy includes situations when the population prefers to hold wealth in non-monetary assets, reports monetary amounts not in terms of local currency but in terms of a relatively stable foreign currency, or the cumulative inflation rate over 3 years is above 100%. Amounts are reported in terms of the measuring unit at the balance sheet date for cost of sales, depreciation and non-monetary assets.

SAS 39 Agriculture

This new standard is effective for financial statement periods beginning on or after October 1, 2001. It prescribes the accounting treatment for agricultural activity, which is the management of the transformation of biological assets (living animals or plants) into agricultural produce or into additional biological assets.

The standard requires that:

- All biological assets should be measured at fair value less expected point of sale costs;
- All agricultural produce be measured at fair value at the point of harvest (thereafter, inventory accounting standards apply);
- Fair value is the highest price obtainable, net of costs, in any available market;
- Non-biological assets used in agricultural activity should follow existing SAS; and
- Unconditional government grants received in respect of biological assets measured at fair value are reported as income when the grant becomes receivable.

EXPOSURE DRAFTS

It is anticipated that most ED will take effect for financial periods beginning during 2001. Comparative information would be required for the current period; therefore, it is necessary to begin addressing these standards immediately.

ED/SAS 40 Investment Property

This ED prescribes the accounting treatment for investment property and related disclosure requirements. It will replace previous requirements in SAS 25, *Accounting for Investment*, which would then be withdrawn.

This standard applies only to land or buildings - or a part of a building - or both held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. It does not apply to property held for use in the production of goods or services, or for administrative services (SAS 14, *Property, Plant and Equipment*) or sale in the ordinary course of business (SAS 2, *Inventories*). The standard includes property under a finance lease under the definition of investment property, but identifies land under long-term leases as operating leases subject to SAS 15, *Leases*. This affects all property under a 99 year lease, as well as a 999 year lease. Under the ED, leasehold property would be accounted for as a pre-paid expense and amortised over the life of the lease. Therefore, no revaluation would be possible.

Compared to SAS 25, the ED introduce a fair value model and limit the accounting options to either the fair value model or a cost model. The enterprise should apply the same model chosen to all its investment property. The fair value model reflects the current market value of the asset at the balance sheet date, with any increase or decrease in value taken to the income statement. The fair value method requires an adjustment to the opening balance of retained earnings upon adoption. The cost model is the benchmark treatment described in SAS 14, *Accounting for Property, Plant and Equipment* and is cost less any accumulated depreciation and any impairment losses. Revaluation is not allowed under this model.

The standard does not distinguish between property occupied by another enterprise in the same group or property leased to other parties. Further more the standard encourages, but does not require, an enterprise to determine the fair value of all investment property on the basis of a valuation by an independent valuer.

ED/SAS 44 Proposed Limited Revisions

This ED proposes to eliminate almost all of the outstanding differences between SAS and IAS. These changes are proposed:

- SAS 1 would require financial statements to comply with both the standards and interpretations;
- the completed contract method would no longer be allowed for construction contracts under SAS 11, or for any other contracts under SAS 16;
- SAS 14 would no longer define “same asset” as a “class of assets”;
- SAS 20 would no longer allow deferral of foreign exchange differences on long-term monetary items;
- SAS 20 would no longer allow items of income and expense to be translated at the closing rate for foreign entities;
- SAS 25 would no longer define “same investment” as a “class of investment”; and
- SAS 37 disclosure requirements for the effect of changing prices would be made voluntary.

ED/SAS 45 Share-based Compensation

This will be a proposed interim measure pending the issuance of a standard on accounting for share-based compensation from the IASB. It will be applicable to all listed companies and those in the process of being listed. The ED proposes following the fair-value measurement principles found in the U.S. accounting standard – FAS 123.

For shared-based compensation provided to employees, ED/SAS 45 proposes that the effect of applying FAS 123 be shown by way of a pro forma presentation of the impact on income and EPS. It does not propose recognition of an expense.

For shared-based compensation provided to non-employees, ED/SAS 45 proposes that an expense be recognised equal to either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

It is important to note that under the fair value approach, even if the exercise price and the market price of a share are the same at the date of the grant (therefore no intrinsic value), there is still a charge to the income statement, as the time value of the option has value.

D&T will be publishing a guide to assist in complying with this standard.

SECTION III

EFFECTIVE DATES AND TRANSITIONAL PROVISION

Standard number	Standard issue	New or revised standard	Effective date	Transitional provision (1)
SAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	Revised	01.07.2000	Not mentioned, See (1)
SAS 10	Events Occurring After the Balance Sheet Date	Revised	01.10.2000	Not mentioned, See (1)
SAS 12	Income Taxes	Revised	01.04.2001	Not mentioned, See (1)
SAS 17	Employee Benefits	New	01.10.2000	Not mentioned, See (1)
SAS 22	Business Combinations	Revised with fundamental changes	01.10.2000	See (2)
SAS 30	Interim Financial Reporting	New	01.10.2001	Not mentioned, See (1)
SAS 31	Provisions, Contingent Liabilities and Contingent Assets	New	01.10.2000	The effect of adopting the standard should be reported as an adjustment to the opening balance of retained earnings for the period in which the standard is first adopted. Enterprises are encouraged, but not required, to adjust the opening balance of retained earnings for the earliest period presented and to restate comparative information.
SAS 32	Financial Instruments: Disclosure and Presentation	New	01.10.2000	If comparative information for prior periods is not available when the SAS is first adopted, such information need not to be presented.
SAS 33	Financial Instruments: Recognition and Measurement	New	01.07.2001	Retrospective application is not permitted, but a detailed study is necessary of the transition impact on all financial assets and liabilities as well as hedges as per effective date.
SAS 34	Intangible Assets	New	01.10.2000	See (3)
SAS 35	Discontinuing Operations	New	01.10.2000	The standard does not have any transitional provision. If discontinuing operations were disclosed in the first accounting period after adopting the standard, comparative information would though still be required from before effective date.
SAS 36	Impairment of Assets	New	01.10.2000	This standard should be applied on a prospective basis only.
SAS 37	Information Reflecting the Effect of Changing Prices	New	01.04.2001	Not mentioned, See (1)
SAS 38	Financial Reporting in Hyperinflationary Economies	New	01.04.2001	Not mentioned, See (1)
SAS 39	Agriculture	New	01.10.2001	Not mentioned, See (1)

(1) Change in accounting policy

A change in accounting policy which is made on the adoption of a SAS should be accounted for in accordance with the specific transitional provisions, if any, in that SAS. In absence of any transitional provisions, the change in accounting policy should be applied as follows:

- **Benchmark treatment -** retrospectively unless the amount of any resulting adjustment that relates to prior periods is not reasonably determinable. Any resulting adjustment should be reported as an adjustment to the opening balance of retained earnings. Comparative information should be restated unless it is impracticable to do so. The change in accounting policy should be applied **prospectively** when the amount of the adjustment to the opening balance of retained earnings required cannot be reasonably determined.

- **Allowed alternative treatment -** retrospectively unless the amount resulting to prior periods is not reasonably determinable. Any resulting adjustment should be included in the determination of the net profit or loss for the current period. Comparative information should be presented as reported in the financial statements of the prior period.

When a change in accounting policy has a material effect on the current period or any prior period presented, or may have a material effect in subsequent periods, an enterprise should disclose the following:

a. the reasons for the change;
b. the amount of the adjustment recognised in net profit or loss in the current period;
c. the amount of the adjustment included in each period for which pro-forma information is presented and the amount of the adjustment relating to period's prior or those included in the financial statements. If it is impracticable to present pro forma information, this fact should be disclosed.

(2) Business Combinations

Retrospective application of this statement is encouraged but not required, except that where goodwill (negative goodwill) remains adjusted against shareholders' interests, in the reporting period in which the business with which the goodwill was acquired is disposed of or discontinued, the amount included in the income statement in respect of the profit or loss on disposal or discontinuance should include attributable goodwill to the extent that it has not previously been charged (credited) in the income statement.

If goodwill was recognised as an asset but was not previously amortised or the amortisation charge was deemed to be nil, or negative goodwill was recognised initially as a separate item in the balance sheet but was not subsequently recognised as income or the amount of negative goodwill to be recognised as income was deemed to be nil, the carrying amount of the goodwill (negative goodwill) should be restated as if the amortisation of goodwill (amount of negative goodwill recognised as income) had always been determined under this statement.

If goodwill (negative goodwill) was previously amortised (recognised as income), do not restate the carrying amount of the goodwill (negative goodwill) for any difference between accumulated amortisation (accumulated negative goodwill recognised as income) in prior years and that calculated under this Statement and: (i) amortise any carrying amount of the goodwill over its remaining useful life determined under this statement; and (ii) recognise any carrying amount of the negative goodwill as income over the remaining weighted average useful life of the identifiable depreciable/amortisable non-monetary assets acquired.

(3) Intangible Assets

The standard provides comprehensive transitional provision tables. Briefly, intangible assets that do not meet the definition should be derecognised and previously expensed amounts that would meet the definition should not be recognised as an asset.

First-time Application of IASs as the Primary Basis of Accounting

When you consider transferring your financial statements from a SAS to an IAS basis, it is important to be aware that specific rules should be applied. These rules are set out by IASB in Interpretation – SIC 8.

In the period when IASs are applied for the first time in full as the primary accounting basis, the financial statements of an enterprise should be prepared and presented as if the financial statements had always been prepared in accordance with the Standards and Interpretations effective for the period of first-time application. Therefore, the Standards and Interpretations effective for the period of first-time application should be applied retrospectively, except when: (a) individual Standards or Interpretations require or permit a different transitional treatment; or (b) the amount of the adjustment relating to prior periods cannot be reasonably determined. Comparative information should be prepared and presented in accordance with IASs. Any adjustment resulting from the transition of IASs should be treated as an adjustment to the opening balance of retained earnings of the earliest period presented in accordance with IASs.

Please be reminded that full compliance with SAS is not full compliance with IAS. An implementation exercise is required to identify the exact changes that would need to be made to your financial statements to bring them into full compliance with IAS.

Deloitte & Touche has been assisting our clients with first time application of IAS in most countries where listed clients choose to globalise their financial statements in order to enhance shareholder value, attract funds and make benchmarking of their company easier. Implementation of the new SAS and exposure drafts (once approved) will be similar to implementing IAS, as most standards are identical to IAS. You may wish to request project implementation assistance from the Technical Department of Deloitte & Touche.

SECTION IV

DIFFERENCES BETWEEN SAS AND IAS

During the past two years the Institute of Certified Public Accounts of Singapore (ICPAS) has issued over a dozen new and revised accounting standards in their effort to harmonise the Singapore Statements of Accounting Standards (SAS) with the International Accounting Standards (IAS). While SAS is largely equivalent to IAS, some major differences remain (as at August 31, 2001).

SAS Requirements		IAS Requirements	
SAS 2	The FIFO method of recording inventory is allowed, but the LIFO method is not allowed.	IAS 2	The LIFO and FIFO method is allowed.
SAS 7	Exempts private entities which have gross sales and other operating revenue of less than S$5 million or gross assets less than S$5 million from preparing cash flow statements.	IAS 7	There is no exemption in IAS 7.
SAS 11	Allows for the use of the "percentage of completion" method or the "completed contract" method.	IAS 11	Only allows the "percentage of completion" method.
SAS 14	Allows for the offsetting of revaluations surpluses and deficits to the same class of assets.	IAS 16	Restricts the offsetting of revaluation surpluses and deficits to the same asset.
SAS 15	No requirement to disclose future minimum lease payments under non-cancellable operating leases.	IAS 17	Requires disclosure of future minimum lease payments under non-cancellable operating leases in aggregate and by remaining life.
SAS 16	SAS 16 permits, but does not require, revenue associated with a transaction to be recognised by reference to the stage of completion of the transaction at the balance sheet date. Revenue may be recognised under SAS 16 when it is complete or substantially complete.	IAS 18	Requires revenue to be recognised by reference to its stage of completion at the balance sheet date.
SAS 20	Unrealised exchange differences arising from long-term foreign currency monetary items may be deferred and amortised over the life of the item if the changes are not expected to recur.	IAS 21	IAS only allows the differences to be taken to income.
SAS 20	The closing rate or average rate may be used to translate the income statement.	IAS 21	IAS only allows the use of the average rate for the period.
SAS 21	Banks are exempt from the related party disclosure requirements of this standard.	IAS	Banks must comply with the related party disclosure requirements.
SAS 22	SAS 22 provides for optional retrospective treatment for all business combinations prior to implementation of the revised standard.	IAS 22	It makes optional retrospective treatment with regard to recognising goodwill as an asset for business combinations in periods prior to January 1, 1995 and mandatory for those in periods beginning on or after the cut-off date.
SAS 25	Allows for the offsetting of a decline in value against a revaluation surplus of the same class of investments.	IAS 25	Only allows offsetting of a decline against the revaluation surplus of the same investment.
SAS 37	Makes it mandatory for enterprises whose levels of revenues, profit, assets or employment are significant in the economic environment in which they operate to disclose the effect of changing prices.	IAS 15	Makes disclosures related to the effect of changing prices voluntary.
	No equivalent SAS, but the MAS requires similar disclosures.	IAS 30	Provides disclosure requirements for financial institutions.

Those differences shown in shaded areas would be eliminated by the adoption of ED/SAS 44.

ASSISTANCE IN IMPLEMENTING THE CHANGES OF THE ACCOUNTING STANDARDS

The implementation of the changes to the accounting standards should begin before the effective date of the changes, thereby allowing management to consider the changes to their financial statements, including impact on ratios like the equity ratio and earnings per share. This implementation could influence contractual agreements between the enterprise and stakeholders. For example, debt covenants in a loan agreement requiring certain minimum ratios, gearing, and shareholder funds.

The exercise of implementing the dozen or so new SAS or opting for a full implementation of IAS demands high skill and business understanding, as this is a complex task and every company is unique. Deloitte & Touche Singapore is using the following approach when implementing accounting standards:

Phase 1➔	**Phase 2➔**	**Phase 3➔**	**Phase 4➔**	**Phase 5➔**
Understand the enterprise	**Knowledge requirement**	**Implementing the "Toolbox"**	**New financial statements**	**Lessons learned**

Phase 1 Understanding the Enterprise

Accounting standards are not – as some may think – one straight road to the final financial statements. Of course, the standards define the criteria under which financial statements should be prepared and presented, but the standards give room for modifying some of the requirements to the individual company.

Example would include:

- When preparing the income statement should expenses be presented by function or by nature?
- Do business or geographic segments reflect the nature and risks of the business?
- When disclosing aggregate information about financial risk management and financial instruments, which level of aggregation should be used?
- What revenue recognition criteria suits your enterprise?
- Is your leasing in substance an operating or financing lease?

Furthermore, a few accounting standards offer alternative accounting treatment to the benchmark treatment. Normally benchmark treatment should be used, but special circumstances regarding your enterprise could make the alternative treatment more realistic. The complexity of the enterprise will also be important when determining how to organise the new financial statements.

Phase 2 Knowledge Requirement

Perhaps your enterprise is not very complex, and the implementation of the accounting standards can be carried out with only minor changes in your financial statements. More likely, you will find that the new accounting standards will change your accounting dramatically. Your enterprise's results may be adversely affected by the lack of choice in the new SAS.

Your enterprise needs to ask three questions:

- Does your finance department fully understand the new standards, including disclosure requirements and how to carry out the practical implementation?
- Is your finance department aware of the transitional provisions in the standards and how to capture comparative figures and disclose the changes?
- Is your finance department preparing budgets and forecasts using the new standards?

These are the fundamental questions you should immediately ask your finance department. From the effective date of the standard, your finance department should be ready to capture the right information and report to management in accordance with the new standards. Trying to implement accounting standards while preparing statutory accounts could leave management with some very unpleasant surprises to explain to the shareholders that would have expected a warning.

Depending on the complexity of your enterprise's knowledge required will vary. Complex companies will need to develop internal expertise or contract external expertise within the areas of designing management report formats preparing finance manuals and training staff to implement new standards.

Phase 3 Implementing the Toolbox

Once you have completed phase 2 and have decided how to achieve the knowledge level required, the toolbox should be designed.

At **level five**, a structured conclusion memo should provide management with information on how individual standards influence the financial statements and disclosures required and if an option is available, how the standard could be modified to the business of the enterprise.

At **level four** of the toolbox you will find training and seminars. Training is needed in complex standards that enforce major changes to the current accounting policies or disclosures required. The training will have to be done by specialist in those standards and focused on your enterprise.

At **level three**, larger companies need a finance manual that interprets the accounting policies of the company and sets up guidelines for the finance departments. This tool is very important in larger groups with subsidiaries where the understanding of the process of preparing group financial accounts is essential.

At **level two,** larger companies need a management reporting system that not only gives management a structured and focused financial reporting system but also provides information needed for the finance department to prepare the financial statements.

At **level one** are the pro-forma financial statements, which are updated with the disclosure information required by the standards. These requirements should be approved by top management at an early stage, thus avoiding a stressed decision at the last minute.

It is very important to emphasise that the toolbox should be up-dated as new or revised standards are issued. The larger the enterprise, the more important it is that the enterprise has a well-structured toolbox that will provide management with timely financial information.

Phase 4 New Financial Statements

Once the knowledge required has been identified and the toolbox updated, management will be prepared to review the pro-forma financial statements was before approval of the final financial statements.

Phase 5 Lessons Learned

Attention should be paid to this phase, but often when the financial statements are approved the opportunity to discuss improvements to management reporting or next year's financial statement is overlooked. Improvement to the toolbox and the financial statements should be discussed among people involved in the process immediately after approval of the last year's financial statements. Thus the process starts again at phase one.

The rapid changes to not only the accounting standards, but also the Companies Act and SGX Listing Manual requirements over the next two years will leave financial managers with little time for implementation.

List of Singapore Accounting Standards and Interpretations

Statement of Accounting Standard (SAS)
(As at 1 October 2001)

		IAS Equivalent
SAS 1	Presentation of Financial Statements (Revised 1999)	1 (Revised)
SAS 2	Inventories (Revised 1997)	2 (Revised)
SAS 3	(Superseded by SAS 26 and SAS 27)	-
SAS 4	Depreciation Accounting (Reformatted 1997)	4 (1997)
SAS 5	(Superseded by SAS 1)	-
SAS 6	Earnings per Share (Revised)	33 (1998)
SAS 7	Cash Flow Statements (Revised 1994)	7 (Revised)
SAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in	8 (Revised)
	Accounting Policies (2000)	-
SAS 9	(Superseded by SAS 34)	-
SAS 10	Events after the Balance Sheet Date (2000)	10 (Revised)
SAS 11	Construction Contracts (Revised 1996)	11 (Revised)
SAS 12	Income Taxes (Revised)	12 (Revised)
SAS 13	(Superseded by SAS 1)	-
SAS 14	Property, Plant and Equipment (Revised 1996)	16 (Revised)
SAS 15	Leases (Revised 1999)	17 (Revised)
SAS 16	Revenue (Revised 1996)	18 (Revised)
SAS 17	Employee Benefits (2000)	19 (Revised)
SAS 18	Accounting for Government Grants and Disclosure of Government Assistance (Reformatted 1997)	20 (Revised)
SAS 19	Borrowing Costs (Revised 1996)	23 (Revised)
SAS 20	The Effect of Changes in Foreign Exchange Rates (Revised 1996)	21 (Revised)
SAS 21	Related Party Disclosures	24 (1986)
SAS 22	Business Combinations (2000)	22 (1998)
SAS 23	Segment Reporting (Revised 1999)	14 (Revised)
SAS 24	Accounting and Reporting by Retirement Benefits Plans (Reformatted 1997)	26 (1988)
SAS 25	Accounting for Investments	25 (1986)
SAS 26	Consolidated Financial Statements and Accounting for Investments in Subsidiaries (Reformatted 1997)	27 (1989)
SAS 27	Accounting for Investments in Associates (Reformatted 1997)	28 (1989)
SAS 28	Accounting for Goods and Services Tax (Reformatted 1997)	-
-	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	30 (1994)
SAS 29	Financial Reporting of Interests in Joint Ventures (Reformatted 1997)	31 (1992)
SAS 30	Interim Financial Reporting	34 (1998)
SAS 31	Provisions, Contingent Liabilities and Contingent Assets	37 (1999)
SAS 32	Financial Instruments: Disclosure and Presentation	32 (1996)
SAS 33	Financial Instruments: Recognition and Measurement	39 (2001)
SAS 34	Intangible Assets	38 (1999)
SAS 35	Discontinuing Operations	35 (1999)
SAS 36	Impairment of Assets	36 (1999)
SAS 37	Information Reflecting the Effect of Changing Prices	15 (1981)
SAS 38	Financial Reporting in Hyperinflationary Economies	29 (1989)
SAS 39	Agriculture	41 (2000)
ED/SAS 40	Investment Property	40 (2001)
ED/SAS 44	Proposed Limited Revisions	-
ED/SAS 45	Share-based Compensation	-

Interpretations of Statements of Accounting Standard (INT)

(As at 1 October 2001)

		SIC Equivalent
INT 1	Consistency – Different Cost Formulas for Inventories	1
INT 2	Consistency – Capitalisation of Borrowing Costs	2
INT 3	Elimination of Unrealised Profits and Losses on Transactions with Associates	3
INT 4	Foreign Exchange – Capitalisation of Losses Resulting from Severe Currency Devaluations	11
INT 5	Consolidation – Special Purpose Entities	12
INT 6	Government Assistance – No Specific Relation to Operating Activities	10
INT 7	Jointly Controlled Entities – Non-monetary Contributions By Venturers	13
INT 8	Operating Leases – Incentives	15
INT 9	Property, Plant and equipment – Compensation for the Impairment of Loss of Items	14
INT 10	Cost of Modifying Existing Software	6
INT 11	Business Combinations – Classification Either as Acquisitions or Uniting of Interests	9
INT 12	Equity Accounting Method – Recognition of Losses	20
INT 13	Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported	22
INT 14	Property Plant and Equipment – Major Inspection or Overhaul Costs	23
INT 15	Earnings per Share – Financial Instruments that may be Settled in Shares	24
INT 16	Income Taxes – Recovery of Revalued Non-depreciable Assets	21
INT 17	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	25
ED/INT 19	Property, Plant and Equipment—Results of Incidental Operations	D26
ED/INT 20	Transactions in the Legal Form of a Lease and Leaseback	D27
ED/INT 21	Reporting Currency—Measurement and Presentation of Financial Statements under SAS 20 and SAS 38	19
ED/INT 22	Classification of Financial Instruments Contingent Settlement Provisions	5
ED/INT 23	Consistency - Alternative Methods	18
ED/INT 24	Disclosure - Service Concession Arrangements	D29
ED/INT 25	Intangible Assets - Web Site Costs	D32

Preface

This is the second edition of this booklet that we first issued in September 2000. We have updated the booklet to provide additional guidance and illustrations in order to assist you in implementing the changes to the Singapore Statements of Accounting Standards effective in 2001 or later. As a result we have removed the sections related to SAS 1, *Presentation of Financial Statement*; SAS 15, *Leases*; and SAS 23, *Segment Reporting*. We call your attention to the following significant additions:

- SAS 12, *Income Tax*, is no longer an exposure draft (ED), as it is now a revised standard effective for financial statement periods beginning on or after April 1, 2001.

- SAS 30, *Interim Financial Reporting*, is no longer an ED. It is effective for financial statement periods beginning on or after October 1, 2001.

- SAS 32, *Financial Instruments: Disclosure and Presentation*, this section has been expanded to include additional guidance.

- SAS 33, *Financial Instruments: Recognition and Measurement*, this section has been expanded to provide additional guidance and website links to assist you in understanding this complex standard.

- SAS 37, *Information Reflecting the Effects of Changing Prices*, is no longer an ED, but a revised standard effective for financial statement periods beginning on or after April 1, 2001.

- SAS 38, *Financial Reporting in Hyperinflationary Economies*, is no longer an ED, but a revised standard effective for financial statement periods beginning on or after April 1, 2001.

- SAS 39, *Agriculture*, is no longer an ED. It is effective for financial statement periods beginning on or after October 1, 2001.

- ED/SAS 40, *Investment Property*, remains an ED, but we have added a decision tree to assist you in understanding the implications of the adoption of this proposed standard.

- ED/SAS 44, *Proposed Limited Revisions,* is a new ED that will result in changes to a number of existing standards in order to harmonise them with the equivalent IAS standard.

- ED/SAS 45, *Share-based Compensation*, is a new ED that will require share-based compensation to be measured using the fair value model established in the US standards. For employees, the compensation expense will be reflect in a *pro forma* disclosure, but for non-employees, it will be recognised.

- A new section, “Differences between SAS and IAS”, that identifies the few significant differences that still exist between SAS and IAS. Most of these differences will be eliminated by the adoption of ED/SAS 44.

- A list of all standards, exposure drafts and interpretations.

The Institute of Certified Public Accountants of Singapore (ICPAS) no longer issues hardcopy updates to the Singapore standards. Exposure drafts, and new and revised standards and interpretations are posted at their website at www.accountants.org.sg. The complete set of standards as at 31 March 2001 is now available from the ICPAS on CD-ROM.

ABOUT DELOITTE TOUCHE TOHMATSU

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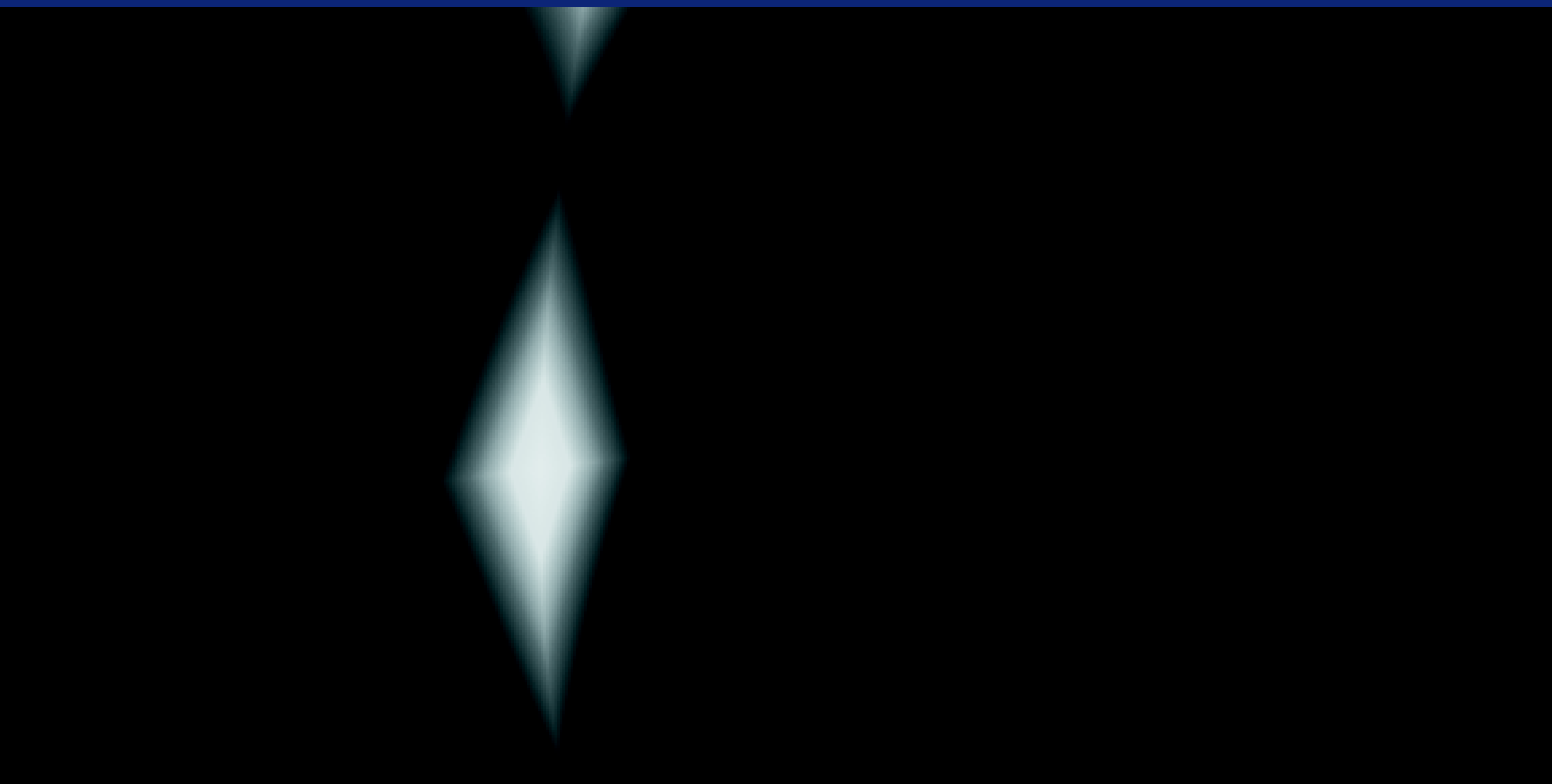

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