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The New Financial Reporting Framework in Singapore

- Financial Reporting Standards
- Amendments to the Companies Act

ACRONYMS

CA – Singapore Companies Act
CCDG – Committee on Corporate Disclosure and Governance
DASC – Disclosure and Accounting Standards Committee
ED – Exposure Draft
FASB – US Financial Accounting Standards Board
FRS – Financial Reporting Standards
IAS – International Accounting Standards
IASB – International Accounting Standards Board
ICPAS – Institute of Certified Public Accountants of Singapore
IFRS – International Financial Reporting Standards
INT – Interpretation of Singapore Statements of Accounting Standards
INT FRS – Interpretation of Financial Reporting Standards
LM – SGX Listing Manual
IRAS – Inland Revenue Authority of Singapore
MAS – Monetary Authority of Singapore
OFR – Operating and Financial Review
RCB – Registry of Companies and Businesses
SAS – Singapore Statements of Accounting Standards
SGX – Singapore Exchange
SIC – Interpretation of the Standing Interpretations Committee of the IASB
US GAAP – United States Generally Accepted Accounting Principles

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4th Edition
Contents of publication current as of September 30, 2003.

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INTRODUCTION: Singapore GAAP – The Transition from SAS to FRS

The accounting standards and financial reporting framework in Singapore is undergoing another series of major changes that will significantly change how you account for and report on the results and state of affairs of your operations. In this booklet, on pages 4-5, we summarise the changes and provide you with an analysis of what has changed and how it is likely to impact you.

The accounting standards in Singapore continue to evolve, with the Council of Corporate Disclosure and Governance (CCDG) replacing the Institute of Certified Public Accountants of Singapore (ICPAS) as the accounting standard-setter in Singapore. The CCDG has issued a set of FRS and INT FRS that are almost identical to the current set of International Accounting Standards (IAS), with the exception of effective dates, the inclusion of FRS 25, *Accounting for Investments* and the absence of IAS 40, *Investment Property*.

In doing so, the CCDG has clearly demonstrated its intention to adopt standards and interpretations that closely follow the IAS, which are now referred to as International Financial Reporting Standards (IFRS). They further reinforced this by aligning the numbering of all FRS and INT FRS with the respective IFRS standard or interpretation. A list of all FRS and INT FRS are shown on pages 21-23.

It is important to note that the accounting standards in Singapore are now prescribed in the Companies Act and are known as Financial Reporting Standards (FRS). Interpretations of the FRS (INT FRS) are mandatory guidance on the application of the standards and carry the same weight. As the FRS and INT FRS are now legislated by the Companies Act, they have the weight of law.

As the SAS were closely aligned to IAS over the past few years, the changes to the accounting standards are not substantial. Other changes brought about by the Companies (Amendment) Act 2002 and the consequential Companies (Accounting Standards) Regulations, such as the adoption of several new interpretations, the repeal of the Ninth Schedule and the modification of the Directors' Report are applicable for financial years beginning on or after January 1, 2003, will have a significant impact.

Companies preparing financial statements for financial years beginning prior to January 1, 2003 may adopt the FRS and INT FRS early, but they must comply with the Ninth Schedule and Directors' Report requirements for financial years beginning prior to January 1, 2003.

The Companies Amendment Act 2003 (CAA 2003) has brought further significant changes. Exempt private companies with turnover of $2.5 million or less in a financial year or companies that are dormant are exempt from audit requirements for financial years beginning on or after May 15, 2003; private companies may do away with holding an AGM if supported by a vote of all shareholders; and private companies need not appoint professionally qualified company secretaries. These and other changes are discussed in detail on pages 6-11.

The Draft Companies (Amendment No. 2) Bill 2003 proposes a series of changes to the Companies Act. This includes the elimination of par value, share buy-backs from profit or capital, the holding of repurchased shares as treasury shares, and capital reductions without court sanctions for public and private companies. These and other changes are discussed in detail on pages 12-13.

Further changes to the Companies Act are expected in 2004, including a change that will clearly define distributable profit as accumulated profit. The accounting standards will also continue to be revised and new standards will be issued as Singapore follows IFRS's convergence with US GAAP. The pending changes to the accounting standards are discussed in detail on pages 24-34.

EXECUTIVE SUMMARY OF CHANGES TO FINANCIAL REPORTING REQUIREMENTS

Companies (Amendment) Act 2002 effective for financial years beginning on or after January 1, 2003. (See pages 7-8 for details)	
Section 200A	• Requires Financial Statements to comply with the requirements of the Accounting Standards.
Section 201	• Significantly changes the disclosures required in the Directors' Report; and • Eliminates the need for a company level profit and loss statement in consolidated accounts.
Section 201(14B)(a) and 207(2)(aa)	• Provides for a true and fair override only if the auditor concurs.
Section 202	• Does not allow the Registrar the authority to waive the provisions of the prescribed Accounting Standards.
Amendment No. 61	• Repeals the Ninth Schedule of the Companies Act.

Companies (Amendment) Act 2003 The amendments to the Companies Act in 2003 are effective from May 15, 2003, except for provisions relating to audit exemptions, which are effective for financial years beginning on or after May 15, 2003. Key changes are shown below. (See pages 9-11 for details)	
Section 162	• Housing loans to full-time directors limited to one at a time.
Section 171 Section 175A	• Private companies no longer need to appoint "professionally qualified" company secretaries, but must appoint a company secretary. • Physical AGMs need not be held if all shareholders agree.
Sections 205B and 205C	• Private exempt companies below S$2.5 million in turnover and dormant private companies are exempt from audit requirements.

Draft Companies (Amendment No.2) Bill 2003 The proposed changes to the Companies Act should be effective in 2004. Key proposed changes are shown below. (See pages 12-13 for full details.)	
Section 62A replace Sections 67–69F	• Par values will be eliminated and all amounts standing to share capital, share premium and capital redemption reserve will be "share capital".
Section 76, 76A, 76B and 76F Section 76H-L	• Share buy-backs may be made from profits or share capital. It would appear that if share capital is used, a capital reduction exercise would be required. • Repurchased shares may be held as treasury shares for later sale, transfer or cancellation. Changes in value are never taken to profit or loss.
Sections 78A-K	• Capital reductions may be carried out by both public and private companies without court sanction.

Differences between FRS and SAS

The new accounting standards issued by the CCDG contain some differences from the equivalent SAS. All FRSs are effective for financial years beginning on or after January 1, 2003, except for FRS 39. Key differences are shown below. (See pages 14-16 for full details of differences.)

FRS 7/SAS 7	• *Cash Flow Statements (exemptions removed)*
FRS 16/SAS 14	• *Property, Plant and Equipment (silent on disclosure on valuation of assets not made by qualified or independent valuers and annual valuation)*
FRS 17/SAS 15	• *Leases (certain operating lease disclosures added)*
FRS 22/ SAS 22	• *Business Combinations (goodwill previously taken to reserves not addressed)*
FRS 23/SAS 19	• *Borrowing Costs (silent on capitalization of borrowing costs beyond TOP)*
FRS 28/SAS 27	• *Accounting for Investments in Associates (certain exemptions from applying equity method of accounting removed.)*
FRS 39/ SAS 33	• *Financial Instruments: Recognition and Measurement (effective in 2005 and likely to be significantly revised before that date)*

Differences between FRS and IFRS

The Singapore standards are almost verbatim those issued by the IASB, but there are differences in a few standards and in effective dates, as well as in paragraph numbering. Key differences are shown below. (See pages 17-18 for details of differences.)

FRS 2/IAS 2	• *Inventories (IAS allows LIFO method and FRS does not.)*
FRS 17/IAS 17	• *Leases (Leasehold land is classified as an operating or finance lease like all other assets.)*
FRS 22/IAS 22	• *Business Combinations (Goodwill taken to reserves after 1994 FY under FRS does not require restatement, but would under IAS.)*
FRS 25/ IAS 25	• *Accounting for Investments (IAS 25 was repealed and replaced with IAS 39 and IAS 40.)*
FRS 39/IAS 39	• *Financial Instruments: Recognition and Measurement (IAS is effective, but FRS is not effective until 2005 FYs.)*
ED SAS 40/IAS 40	• *Investment Property (IAS 40 remains an exposure draft in Singapore. Revisions are being exposed at both the IFRS and FRS level.)*

EXECUTIVE SUMMARY OF CHANGES TO FINANCIAL REPORTING REQUIREMENTS

New INT FRS
A number of interpretations effective under IFRS, but not previously issued in Singapore. These interpretations are effective on February 1, 2003. (See pages 17-20 for details.)

INT FRS 5	• *Classification of Financial Instruments – Contingent Settlement Provisions*
INT FRS 7	• *Introduction of the Euro*
INT FRS 8	• *First-Time Application of FRS as the Primary Basis of Accounting*
INT FRS 16	• *Share Capital – Reacquired Own Equity Instruments (Treasury Shares)*
INT FRS 17	• *Equity – Costs of an Equity Transaction*
INT FRS 18	• *Consistency – Alternative Methods*
INT FRS 19	• *Reporting Currency – Measurement and Presentation of Financial Statements under FRS 21 and FRS 29*
INT FRS 28	• *Business Combinations – Date of Exchange and Fair Value of Equity Instruments*
INT FRS 30	• *Reporting Currency – Translation from Measurement Currency to Presentation Currency*
INT FRS 33	• *Potential Voting Rights*

Exposure Drafts Outstanding
These drafts are expected to result in new or revised standards in 2003 or 2004. (See pages 24-34 for details.)

ED SAS 47 (2002)	• *Proposed Amendments to Statements of Accounting Standards*
ED SAS 48 (2002)	• *Proposed Amendments to SAS 32 Financial Instruments: Disclosure and Presentation and SAS 33 Financial Instruments: Recognition and Measurement*
ED FRS (2002)	• *First-Time Application of Financial Reporting Standards*
ED FRS (2003)	• *Share-based Payments*
ED FRS (2003)	• *Business Combinations (Will revise FRS 22 Business Combinations, FRS 36 Impairment of Assets and FRS 38 Intangible Assets)*
ED FRS (2003)	• *Disposal of Non-Current Assets and Presentation of Discontinued Operations*
ED FRS (2003)	• *Insurance Contracts*
ED INT FRS (2003)	• *Emission Rights*

The Ninth Schedule has been Repealed
Summary of the requirements that are eliminated/removed can be seen on page 35. Other Ninth Schedule requirements that still need to be continued/followed as a result of FRS/INT FRS, SGX Listing Manual (LM) and/or Companies Act (CA) requirements are on pages 36-43.

CHRONOLOGY OF SIGNIFICANT CHANGES TO THE COMPANIES ACT

Gazette Reference	Title and Key Provisions	Effective Date
S237/2002	Companies (Amendment No. 2) Regulations 2002	July 1, 2002
S274/2002	Companies (Exemption) Order 2002	June 10, 2002
No. 12 of 2002	Companies (Amendment) Act 2002	Various
S635/2002	Companies (Amendment) Act (Commencement) (No. 2) Notification 2002 • Made Sections 37 to 41, 55(b) and (c) and 61 of the Companies (Amendment) Act 2002 effective.	Financial years beginning on or after January 1, 2003
S644/2002	Companies (Accounting Standards) Regulations 2002 • Established the Accounting Standards as FRS.	Financial years beginning on or after January 1, 2003
S2/2003	Companies (Accounting Standards for Listed Companies) Order 2003 • Companies listed on the SGX and a foreign exchange may use the GAAP required by the foreign exchange if RCB is notified.	Financial years beginning on or after January 1, 2003
S15/2003	Companies (Amendment) Act (Commencement) Notification 2003 • Made Sections 2(b), 3 to 35, 42 to 54, 55(a), 56 to 60, 62, 63 and 64 of the Companies (Amendment) Act 2002 effective.	January 13, 2003
S16/2003	Companies (Amendment) Regulations 2003	January 13, 2003
S43/2003	Companies (Accounting Standards)(Amendment) Regulations 2003 • Established the INT FRSs	February 1, 2003
S213/2003	Companies (Accounts of Public Listed Holding Companies) (Substitution of Period) Order 2003 • Listed companies must hold AGMs from January 1, 2004 within 4 months from the end of financial years beginning on or after January 1, 2003.	April 28, 2003
S234/2003	Companies (Amendment) Act (Commencement) Notification 2003 • To notify that the Companies (Amendment) Act 2003 shall come into operation on May 15, 2003.	May 15, 2003
S236/2003	Companies (Amendment No. 2) Regulations 2003 • Exempt private company with turnover of $2.5 million or less and dormant companies are exempt from audit requirements.	Financial years beginning on or after May 15, 2003
No. 8 of 2003	Companies (Amendment) Act 2003	May 15, 2003
S255/2003	Companies (Accounting Standards)(Amendment No.2) Regulations 2003 • Amendment of FRS 16.64 – to align revaluation of property, plant and equipment prior to 1984 and between 1984 and 1996 to be the same as IFRS 16. • Amendment of FRS 17.11 • Adoption of FRS 39 – Effective for financial statements covering periods beginning on or after January 1, 2005.	May 31, 2003
Draft	Draft Companies (Amendment No. 2) Bill 2003	Not determined

IMPLEMENTATION OF THE COMPANIES (AMENDMENT) ACT 2002

Sections 37, 38, 39, 40, 41 and 61 of the Companies (Amendment) Act 2002 (CAA 2002), all with a financial reporting impact, came into operation on January 1, 2003.

With implementation of Section 37 of the CAA 2002, Statements of Accounting Standards (SAS) issued by the Institute of Certified Public Accountants of Singapore (ICPAS) will not be used for annual financial periods commencing on or after January 1, 2003. Instead, Financial Reporting Standards (FRS) issued by the new accounting standards-setting body, the Council of Corporate Disclosure and Governance (CCDG), will be used.

The transitional provisions in the regulations state that the amended Sections 201, 202, 203, 207, 209A and 373 of the Companies Act and Section 61 of the CAA 2002, shall not apply to any accounts to be submitted by a company in respect of a financial year that commenced before January 1, 2003. For such accounts, the amended sections and the Ninth Schedule of the Companies Act shall continue to apply.

Section 37 of the CAA 2002 amends Section 201 of the Companies Act

- A majority of the disclosures required by Section 201 to be included in the Directors' Report have been repealed. The shortened Directors' Report will now only include the following paragraphs:

  1. Names of directors
  2. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures
  3. Directors' interests in shares and debentures
  4. Directors' receipt and entitlement to contractual benefits
  5. Options to take up unissued shares
  6. Options exercised
  7. Unissued shares under option

- Where accounts or consolidated accounts prepared in accordance with the Accounting Standards do not give a true and fair view, a departure from Accounting Standards is allowed if the auditor agrees with the departure. If so, an agreement statement by the auditor (as contained in Section 207), the particulars of the departure, the reason for the departure and the effect of such non-compliance, need to be included in the accounts or consolidated accounts.

- Requires accounts and consolidated accounts prepared by a company to comply with prescribed Accounting Standards. CCDG determined that the prescribed Accounting Standards are FRS and Interpretations of FRS (INT FRS). A company that is listed on a foreign stock exchange and the SGX may use another set of accounting standards, for example, IFRS, or US GAAP, provided they notify the Registry of Companies and Businesses (RCB).

- Provides that a holding company presenting consolidated financial statements need only present the company level balance sheet. If the consolidated accounts are not presented, a full set of company level accounts must be presented.

Section 38 of the CAA 2002 amends Section 202 of the Companies Act

- Applications cannot be made to the Registrar for the waiver of requirements of the Accounting Standards, except with regard to the provisions of subsections (1), (3) or (3A) of Section 201. As such, the Registrar may still waive filing deadlines, and the form and content of financial statements, including the need to prepare consolidated accounts.

Section 39 of the CAA 2002 amends Section 203 of the Companies Act

- Amended to exclude the requirement that a profit and loss statement of the company be presented in the case of consolidated accounts. This makes the section consistent with the amendment made in Section 201 above.

Section 40 of the CAA 2002 amends Section 207 of the Companies Act

- A new paragraph, (aa), is inserted to subsection (2), which states that, where accounts or consolidated accounts do not comply with any requirements of the Accounting Standards and the approval of the Registrar to such non-compliance has not been obtained, a statement is required whether such non-compliance, in the view of the auditor, is necessary for the accounts or consolidated accounts to give a true and fair view.

  It is important to note that a true and fair override may only be used when compliance with the existing Accounting Standards would result in the accounts not being true and fair. It may not be used because the alternative treatment is true and fair, or even superior to that information provided by applying the Accounting Standard. Such pro forma information or disclosure may be provided in the financial statements in addition to what is required by the Accounting Standards, but must be clearly identified so as not to mislead or confuse the user.

Section 41 of the CAA 2002 amends Section 209A of the Companies Act

- References to the Ninth Schedule in respect of interpretation of accounting terms are replaced by reference Accounting Standards, which are now defined as the FRS and INT FRS.

Section 61 of the CAA 2002 repeals the Ninth Schedule of the Companies Act

- As accounts and consolidated accounts need to comply with Accounting Standards, consolidation by attachment, which was allowed by the Ninth Schedule, is no longer allowed. A line-by-line consolidation will need to be prepared now. Alternatively, an exemption may be obtained from the Registrar from preparing consolidated financial statements.

- The disclosure requirements of the Ninth Schedule are no longer relevant, but many of the requirements remain in the Accounting Standards. In addition, a listed issuer must comply with the disclosure requirements of the SGX. A detailed analysis of the Ninth Schedule disclosure requirements that are found in the Accounting Standards or SGX Listing Manual is set out on pages 35-43.

IMPLEMENTATION OF THE COMPANIES AMENDMENT ACT 2003

Section 5 of CAA 2003 amends Section 64 of the Companies Act

- All private companies, including those that are subsidiaries of public companies, will be allowed to issue ordinary shares with no votes or any number of votes per share.

Section 16 of CAA 2003 amends Section 153 of the Companies Act

- A director of a public company or a subsidiary of a public company who has reached 70 years of age must seek annual reappointment. This reappointment must be approved by an ordinary resolution passed at an annual general meeting. Directors of private companies that are not subsidiaries of public companies will not be required to go for annual reappointment.

Section 20 of CAA 2003 amends Section 162 of the Companies Act

- Private companies may not provide loans to directors unless they fall within the scope of Section 162 of the Companies Act, i.e. a loan to a director who is a full-time employee of the company who wants to buy a home. The CAA 2003 clarifies this by limiting this to a single loan at any one time and that the property must be occupied by the director.

Section 22 of CAA 2003 amends Section 171 of the Companies Act

- The requirement for private companies to appoint professionally qualified secretaries is removed.

- A private company still needs a secretary, and the RCB may require a private company to appoint a professionally qualified company secretary if the company has failed to maintain its records in accordance with the requirements of the Companies Act.

Section 26 of CAA 2003 amends Section 175A of the Companies Act

- Private companies need not hold a physical Annual General Meeting (AGM) if all of its shareholders agree that AGM is not required. Matters to be decided at the AGM will be decided by written means.

  How can members object to the dispensation of AGM or demand that a meeting be held? The RCB indicated in its *Legal Digest, Volume 2*, (available on the RCB website at www.rcb.gov.sg) that members can require the holding of an AGM at three points in time:

  1. Members can do so within 3 months before the end of the year. The year refers to calendar year. The RCB notes that there may be an anomaly here as it is possible that the due date for an AGM is over while the calendar year is not up yet. However, the RCB notes that there are two additional avenues below. [S 175A(4)]

  2. Members can do so within 28 days from the day on which the accounts and applicable documents are sent out. Such a right is also exercisable by the auditor. [S 203(4)];

  3. Members can do so within 7 days after the text of the resolution or necessary documents have been circulated to them. [S 184D(1)]

  In the same volume of the digest, the RCB addressed the question as to when the Annual Report (AR) is due if no AGM is held. Previously, it was not clear if the due date is one month after the AGM due date or one month after the date of written resolution. The RCB referred to S 175A(10)(b) which states that unless the contrary intention appears, a reference to the date of an AGM for a company that has dispensed with the holding of an AGM is to be read as a reference to the AGM due date. In addition, it is stated that written resolutions are intended to replace the AGM, so Section 175A(10)(b) does not apply as the situation would fall within the scope of a contrary intent exception. Therefore, the deadline for lodgement of the AR would be one month after the date of the written resolutions.

Section 28 of CAA 2003 amends Section 184(1) of the Companies Act

- The current requirement of 21 days notice for meetings to pass a special resolution for private companies is amended to 14 days.

Section 29 of CAA 2003 amends Section 184A of the Companies Act

- Members can pass a special resolution without a physical meeting provided that the resolution is approved by members who represent at least 75% (or such greater majority as may be required by the memorandum or articles) of the total voting rights of all members. Ordinary resolutions will require the approval of members who represent at least a majority (or such greater majority as may be required by the memorandum or articles) of the total voting rights. These written resolutions may be passed using e-mail or other electronic means.

Section 35 of the Companies (Amendment) Act 2003 amends Sections 205B and 205C of the Companies Act

- Dormant companies and exempt private companies' whose revenue (as defined in FRS 18) is below the prescribed threshold (set at $2.5 million for financial years commencing on or after May 15, 2003 and increased to $5 million after 1 year) are exempt from the obligation to appoint auditors to audit their accounts. However, they must continue to maintain proper accounting records and prepare financial statements that comply with the Accounting Standards.

  The threshold for private exempt companies is pro-rated for financial years of less than 12 months, but not for those over 12 months.

A company is dormant if there are no accounting transactions except those relating to:

(a) the taking of shares in the company by a subscriber to the memorandum in pursuance of an undertaking of his in the memorandum;

(b) the appointment of a secretary of the company under Section 171;

(c) the appointment of an auditor under Section 205;

(d) the maintenance of a registered office under Sections 142, 143 and 144;

(e) the keeping of registers and books under Sections 88, 131, 173, 189 and 191;

(f) the payment of any fee specified in the Second Schedule of the Companies Act or an amount of any fine or default penalty paid to the Registrar under Section 409(4); and

(g) such other matter as may be prescribed.

An accounting transaction need not create a cash in-flow or out-flow, so the writing-off of a debt, impairment of an asset, adjustment of a provision, or revaluation of an asset will result in a company not being dormant. Likewise, transactions not related to the exempt activities resulting in the payment of interest or taxes, or the payment of or receipt of dividends (even if passed through), will result in a company not being dormant.

The RCB has indicated that a company that is exempt from audit and/or filing requirements is still required to prepare a full set of financial statements including explanatory notes in accordance with the Accounting Standards.

In IRAS's August 6, 2003 circular, *Review of Companies' Income Tax Filing Requirement in View of Audit Exemption under the Companies Act,* states that for income tax filing purposes, companies that qualify for the audit exemption and chose not to have their accounts audited, can file the unaudited accounts in place of the audited accounts for income tax filing purposes. The unaudited accounts (including explanatory notes to the accounts) must be accompanied by the Directors' Report and the Statement by Directors, which must be prepared in compliance with the Companies Act. On the other hand, companies that qualify for the audit exemption and have chosen to have their accounts audited will still be required to file the audited accounts with their tax returns.

A company that is dormant from the time of formation will still have to comply with the requirements of the Companies Act for filing of annual returns and accounts.

- Shareholders representing 5% or more of a company's ordinary shares may require the company to have an audit performed on the accounts. The RCB has the same authority.

Section 38 of CAA 2003 amends Section 366 of the Companies Act

- All foreign companies (not just those planning to be listed on the Singapore Exchange as previously allowed), which establish share transfer or share registration offices in Singapore, are exempted from the need to register branches in Singapore.

PROPOSALS IN THE DRAFT COMPANIES (AMENDMENT NO. 2) BILL 2003

Section 62A would be inserted and Sections 67 to 69F would be abolished

- Par value and share premium will be abolished. Immediately after the appointed date (effective date of the Amendment Act), any amount standing to the credit of a company's share premium account and capital redemption reserve becomes part of the company's share capital.

Section 76 would be amended

- Financial assistance to persons for the purpose of acquiring shares in the company or its holding company would be allowed in the following circumstances:

  (a) where less than 10% of the company's paid-up capital is involved;

  (b) where it is approved by a unanimous resolution of shareholders;

  (c) under specific exemptions for financial institutions and approved employee share schemes; and

  (d) for representations, warranties and indemnities by an issuer or a vendor in the context of a public offering.

  For purposes of (a) and (b), where a company's accounts are not audited, the directors would be required to make a statutory declaration of solvency. Where a company's accounts are audited, the solvency declaration, if not made by a statutory declaration, should be confirmed by external auditors.

Section 76F would be amended

- Share buy-backs would now be funded out of profits or share capital where supported by a declaration of solvency.

Sections 76H, I and J would be inserted

- Repurchased ordinary shares may be held as treasury shares, up to 10% of issued shares per class. The voting and other rights of the repurchased ordinary shares would be suspended so long as they are held in treasury. Companies should be permitted to use treasury shares to meet their obligations under employee share option schemes, transfer to third parties to fund acquisitions or to raise cash. The purchase, cancellation, sale or reissuance has no P&L impact under the Accounting Standards.

Sections 78A-K would be inserted

- Introduces an alternative capital reduction process which would require shareholders' special resolution approval as well as a declaration of solvency. For public companies, the alternative capital reduction process would require a declaration of solvency by the directors and auditors, publication of a notice (in advance of the proposed capital reduction) in a national newspaper, making available for public inspection the shareholders' resolution and solvency statement, and be susceptible to creditor challenge in court.

Section 157B would be inserted

- A director of a company, when exercising powers or performing duties as a director, may rely on reports, statements, financial data and other information prepared or supplied, and on professional or expert advice given, by any of the following persons:

  (a) an employee of the company whom the director reasonably believes to be reliable and competent in relation to the matters concerned;

(b) a professional adviser or expert in relation to matters which the director reasonably believes to be within the person's competence; or

(c) any other director or a committee of directors upon which the director did not serve in relation to matters within the director's or committee's designated authority.

This applies to a director only if the director:

(a) acts in good faith;

(b) makes proper inquiry where the need for inquiry is indicated by the circumstances; and

(c) has no knowledge that such reliance is unwarranted.

Section 201A would be repealed

- The requirement under Section 201A pertaining to the issuance of consolidated accounts of the group only upon receipt of the audited accounts of subsidiaries will be removed.

Section 201B would be moved

- Section 201B of the Companies Act relating to Audit Committees of listed issuers would be transferred to the Securities and Futures Act.

Section 203 would be amended

- Section 203 is amended to provide for the electronic distribution of statutory reports to shareholders and for hardcopies to be available to shareholders who require them.

SUMMARY OF DIFFERENCES BETWEEN FRS and SAS AND FRS and IFRS

In December 2002, the CCDG issued the Financial Reporting Standards as the prescribed Accounting Standards in Singapore. While these standards are similar to the SAS, there are some differences. The FRS are aligned with the International Financial Reporting Standards (IFRS), which were formerly known as the International Accounting Standards (IAS). There are differences between FRS and IFRS, including differences in implementation dates. Another example is that FRS does not include IAS 40, while it retains FRS 25. These FRS are mandatory for financial years beginning on or after January 1, 2003 except for FRS 39, which is mandatory for financial years beginning on or after January 1, 2005. Early adoption is allowed, but all FRS and INT FRS must be adopted and the Ninth Schedule requirements would remain in effect for financial years beginning prior to January 1, 2003.

Below we identify the differences between FRS and SAS, FRS and IAS and explain the implications:

DIFFERENCES BETWEEN FRS AND SAS (as at September 30, 2003)

FRS	Content	Comparison with SAS	Comments
7	Cash Flow Statements	7	The following exemptions from the preparation of cash flow statements under SAS 7 are not found in FRS 7: • all companies (other than public companies) with gross sales and other operating revenues of less than S$5 million or gross assets of less than S$5 million; • wholly-owned subsidiary of a holding company incorporated in Singapore and where the holding company presents consolidated financial statements; and • exempt private companies. As a result, these entities must now provide a cash flow statement with comparatives.
16	Property, Plant and Equipment	14	FRS 16 is silent on the following requirements with regard to revaluation of assets under SAS 14: • Valuation need not be made by qualified or independent valuers but the name and qualifications of the valuer should be disclosed together with the bases of the valuation used. If the valuer is not independent, that fact must be disclosed. • For assets that are substantial, the valuation should be carried out annually (must be done at least every five years) by an independent professional valuer.
17	Leases	15	Lessors are required under FRS 17 but not under SAS 15, to disclose the amount of future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods: • not later than one year • later than one year and not later than five years; and • later than five years. In addition, the standard now explicitly states that the requirements on disclosure under FRS 16, Property Plant and Equipment; FRS 36, Impairment of Assets; FRS 38, Intangible Assets; and FRS 41, Agriculture, apply to assets under operating leases. This was already understood in practice.

DIFFERENCES BETWEEN FRS AND SAS (as at September 30, 2003) *cont'd*

FRS	Content	Comparison with SAS	Comments
22	Business Combinations	22 (R2000)	SAS 22 (R2000) contains transitional provisions that require goodwill or negative goodwill previously written-off against reserves to be included in the amount of profit or loss in the period that the acquired business is disposed or discontinued. However, FRS 22 does not contain such transitional provisions.
23	Borrowing Costs	19	SAS 19 allows the capitalization of borrowing costs beyond the receipt of Temporary Occupation Permit (TOP) when additional works need to be done to render the building "ready for its intended use". FRS 23 is silent on this.
24	Related Party Transactions	21	It is not mandatory for banks and discount companies to comply with the related party disclosure requirements under SAS 21. FRS 24 is silent on this.
26	Accounting and Reporting by Retirement Benefit Plans	24	Both Standards are consistent, except that it is specifically highlighted in SAS 24 that the statement is not applicable to retirement benefits provided under the Central Provident Fund scheme.
28	Accounting for Investments in Associates	27	Both Standards are consistent, except the following provisions contained in the forward to SAS 27 are not included in FRS 28: • If the equity method is used for associates, the same method should be used for subsidiaries, and vice versa. FRS 28 has no such provision. • If the cost method is used in the separate accounts of the company and consolidated accounts are not presented, pro forma equity method information is required to be shown under SAS 28. This requirement still applies for companies that do not present consolidated accounts because they have no subsidiaries in accordance with FRS 28.13.
39	Financial Instruments: Recognition and Measurement	33	The only difference is that SAS 33 is effective for financial years beginning on or after January 1, 2004 whereas FRS 39 is effective for financial years beginning on or after January 1, 2005. Earlier application of FRS 39 is permitted. However, it is likely that FRS 39 and SAS 33 will be amended prior to that date.
-	Accounting for Goods and Services Tax	28	There is no comparable FRS. FRS 32 will continue to allow GST to be shown net as there is a legal right of offset and a single counterparty.

DIFFERENCES BETWEEN FRS AND IFRS (as at September 30, 2003)

FRS	Content	Comparison with IFRS	Comments
2	Inventories	2	Both Standards are consistent, except for the following: • FRS 2 does not allow the LIFO method of inventory costing but IAS 2 allows. • FRS 2 explicitly mentioned that it is not applicable for biological assets related to agricultural activity but IAS 2 is silent about it.
16	Property, Plant and Equipment	16	FRS 16 exempts regular revaluation for assets on which any one-off revaluation is performed between January 1, 1984 and December 31, 1996 (both dates inclusive) or for assets that have been revalued prior to January 1, 1984, whereas IAS 16 is silent on the above.
17	Leases	17	FRS 17 removes the words in paragraph 11 of IAS 17 which indicates that land normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee does not receive substantially all of the risks and rewards incident to ownership.
25	Accounting for Investments	-	IAS 25 has been superseded with respect to investment property by IAS 40, the equivalent of which is still an exposure draft (ED/SAS 40) in Singapore.
-	Investment Property	40	The equivalent of IAS 40 is still an exposure draft (ED/SAS 40) in Singapore. SAS 25 requires property let to or occupied by another entity within the group to be reclassified as a fixed asset both at the company and group level, whereas IAS 40 allows property let to another entity within the group to be shown as investment property at the company, but not at the group level.
-	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	30	There is no equivalent FRS but MAS requires similar disclosure requirements for financial institutions.

SUMMARY OF INT FRS NOT PREVIOUSLY ISSUED AS INTERPRETATIONS OF SAS

Interpretations of standards are authoritative guidance on the application of the relevant standards. CCDG adopted all international interpretations, SICs, as Interpretations of FRS (INT FRS) with effect from February 1, 2003. As INT FRS are interpretations of FRS, they would be effective for financial years beginning on or after January 1, 2003. Likewise changes to the Accounting Standards with effect from May 31, 2003 would only apply to financial years beginning on or after January 1, 2003.

INT FRS 5 *Classification of Financial Instruments – Contingency Settlement Provisions*

INT FRS 5 requires a financial instrument to be classified as a liability when the rights and obligations regarding the manner of settlement of the financial instrument is contingent upon future events/circumstances that are beyond the control of both the issuer and the holder.

However, where the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, the contingent settlement provision should be ignored and the instrument shall be classified as equity.

Consideration of the probability of redemption may be dealt with differently in future because of an exposure draft on improvement to FRS 32 that requires the decision to be made purely on the basis of the terms of the instrument. When adopted, so long as the financial instrument gives the holder the right to redeem in cash or other financial assets, it should be classified as a liability, regardless of the probability of such redemption.

INT FRS 7 *Introduction of the Euro*

The Euro was introduced in 2000, so this interpretation is no longer relevant.

INT FRS 8 *First-Time Application of FRS as the Primary Basis of Accounting*

This interpretation is of limited importance in Singapore as almost all entities had already adopted the provisions of the FRS through adoption of SAS. This INT FRS will be rescinded by the ED on this issue.

INT FRS 16 *Share Capital – Reacquired Own Equity Instruments (Treasury Shares)*

Treasury shares are currently not allowed in Singapore, but they would be allowed under the draft Companies (Amendment No. 2) Bill. The interpretation indicates that all transactions involving treasury shares are equity transactions and should be handled in equity with no income or loss recognised in the income statement.

INT FRS 17 *Equity – Costs of an Equity Transactions*

INT FRS 17 allows only incremental external costs directly attributable to issuing or repurchasing equity instruments to be accounted for as a deduction from equity.

Example of costs that are not considered costs of an equity transaction include costs of listings of shares on a stock exchange, a secondary offering of shares, a share split or a stock dividend.

The types of costs that would normally be charged to the profit and loss accounts are internal costs of the company, public relations, advertising, promotion, road shows and registration fees to the stock exchange.

On the other hand, the costs that would normally qualify as a deduction from equity are underwriting fees, consulting fees to investment bankers and professional fees directly attributable to raising new capital.

INT FRS 18 *Consistency - Alternative Methods*

When there are alternative accounting policies under an FRS or an INT FRS, INT FRS 18 requires a company to choose and apply consistently one of those policies unless the FRS or INT FRS specifically requires or permits categorization of items for which different policies may be appropriate. A change from an allowed alternative method to the benchmark would be considered justification for a change in accounting policy. A change from the benchmark to alternative method would be difficult to justify. Once the appropriate initial policy has been selected, a change in accounting policy is accounted for retrospectively.

INT FRS 19 *Reporting Currency – Measurement and Presentation of Financial Statements under FRS 21 and FRS 29*

INT FRS 19 requires a company to measure its transactions using a measurement currency (also known as the functional currency). With the adoption of INT FRS 19, a company has to determine whether the currency in which it measures its transactions is the appropriate measurement currency.

A company's measurement currency should reflect the economic substance of the underlying events and circumstances relevant to it. It does not have a choice in the selection of its measurement currency. The measurement currency should not be changed, unless there has been a change in the underlying events and circumstances. The following factors are useful in identifying the measurement currency:

- The currency in which the sales price of the company's goods and services are denominated and settled, and the country whose competitive forces and regulations is a major force in determining the sales price of the company's goods and services,
- The currency in which funds from financing activities are generated;
- The currency in which receipts from operating activities are retained; and
- The currency in which labour, materials and other costs of providing goods and services are denominated and settled.

Where the indicators are mixed and the measurement currency is not obvious, it would be a matter of judgment to determine the currency that most faithfully represents the economic effects of the underlying events and circumstances of the company.

It is possible for a company to have more than one measurement currency. In instances where the company has more than one distinct and separable operation such as a division or branch, each operation may be considered a separate measurement entity. If these operations are conducted in different economic environments, the measurement currency of each operation may be different.

A company may determine that the currency in which it currently maintains its accounting records is not the appropriate measurement currency under INT FRS 19. In that case, the company would have to retrospectively remeasure its transactions into the measurement currency. A good process for remeasurement should produce outcomes that approximate the results as if the accounting records have always been kept in the measurement currency. However, for practical purposes, it is preferable that the company maintains its accounting records in the measurement currency.

The CCDG issued *CCDG Circular 1, Measurement Currency And Presentation Currency,* in response to queries on whether the Singapore dollar is an appropriate measurement currency. The CCDG circular states that having considered the provisions in FRS 21 and INT FRS 19, the CCDG is of the view that these standards do not prohibit a Singapore-incorporated company from using Singapore dollar as its measurement currency or presentation currency. A company is allowed to decide, based on its business requirements, which currency is most appropriate as its measurement or presentation currency.

INT FRS 28 *Business Combinations – Date of Exchange and Fair Value of Equity Instruments*

INT FRS 28 addresses the concerns that arise when a company issues its equity instruments (such as shares or warrants) as purchase consideration to acquire a business.

The concerns are:
- Establishing the date of exchange for the issuance of equity instruments; and
- Whether it is appropriate to consider evidence and valuation methods other than published price of a quoted instrument.

When an acquisition is achieved in one exchange transaction, the date of exchange is the date of the acquisition. On the other hand, where an acquisition is achieved through stages, the fair value of the equity instruments issued as purchase consideration should be determined at the date when individual investment is recognised in the financial statements of the acquirer.

The published price at the date of exchange of a quoted equity instrument provides the best evidence of the instrument's fair value and should be used unless it has been affected by undue price fluctuation.

The Interpretation also specifies the information to be disclosed when the published market price is not used as the fair value of the quoted equity instrument.

INT FRS 30 *Reporting Currency – Translation from Measurement Currency to Presentation Currency*

INT FRS 30 provides guidance on how financial statements should be translated when a company chooses to publish its financial statements in a currency other than its measurement currency. Specifically, it requires assets, liabilities and equity items other than the current period profit or loss to be translated at the closing rate existing at the date of each balance sheet presented. Items in the profit and loss accounts are translated at rates on transaction dates or average rate for the period.

It is important to distinguish between a translation for presentation purposes from a translation of financial statements of foreign entities for purposes of consolidation. A holding company translating the financial statements of its subsidiaries for purposes of consolidation should use the procedures set out in FRS 21 *The Effects of Changes in Foreign Exchange Rates*.

For example, if a holding company's measurement currency is Singapore dollars and it has a subsidiary whose measurement currency is Hong Kong dollars, in preparing consolidated financial statements of the Group, the subsidiary's financial statements are translated into Singapore dollars using the procedures in FRS 21. If the holding company chooses to present its financial statements in United States dollars, it should translate its financial statements using the procedures set out in INT FRS 30.

INT FRS 33 *Potential Voting Rights*

INT FRS 33 requires all potential voting rights (e.g. share options and warrants) that are presently exercisable to be considered, in addition to qualitative factors, when assessing whether a company has control or significant influence over another company.

The critical test is whether the company, after taking into consideration the potential voting rights, is able to control or exercise significant influence when it wants to, irrespective of whether the power is actually exercised.

When control or significant influence is established, the present ownership interests are used in consolidation or equity accounting.

The Interpretation states that all facts and circumstances that affect potential voting rights should be considered except the intention of management and the financial capability of the company to convert or exercise.

TRANSITIONAL PROVISIONS FOR FRS AND INT FRS

The adoption of FRS and INT FRS may result in some accounting polices being changed. For example, treatment of goodwill previously taken to equity, changing measurement currency or the recognition of potential shares in determining control of another enterprise. If there is a change in accounting policy the following procedures apply in accordance with FRS 8.

Change in accounting policy

A change in accounting policy, which is made on the adoption of a FRS or FRS INT, should be accounted for in accordance with the specific transitional provisions, if any, in that FRS or FRS INT. In the 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.

- **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.

For both the benchmark treatment and the allowed alternative treatment, 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.

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 entity 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 prior periods or those included in the financial statements. If it is impracticable to present pro forma information, this fact should be disclosed.

LIST OF FINANCIAL REPORTING STANDARDS (FRS) AND INTERPRETATIONS (INT FRS) AS AT SEPTEMBER 30, 2003

All FRS are effective for financial years beginning on or after January 1, 2003 (except FRS 39) and all INT FRS come into effect on February 1, 2003.

FRS/ INT FRS	Contents	SAS/INT References	FRS same as IFRS?	FRS same as SAS?
	FRS Framework	SAS Framework	Yes	Yes
FRS 1	*Presentation of Financial Statements*	SAS 1	Yes	Yes
INT FRS 8	*First-Time Application of FRS as the Primary Basis of Accounting*	NA	Yes	NA
INT FRS 18	*Consistency – Alternative Methods*	INT 18	Yes	Yes
INT FRS 29	*Disclosure – Service Concession Arrangements*	INT 19	Yes	Yes
FRS 2	*Inventories*	SAS 2	No	Yes
INT FRS 1	*Consistency – Different Cost Formulas for Inventories*	INT 1	Yes	Yes
FRS 7	*Cash Flow Statements*	SAS 7	Yes	No
FRS 8	*Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*	SAS 8	Yes	Yes
FRS 10	*Events after the Balance Sheet Date*	SAS 10	Yes	Yes
FRS 11	*Construction Contracts*	SAS 11	Yes	Yes
FRS 12	*Income Taxes*	SAS 12	Yes	Yes
INT FRS 21	*Income Taxes – Recovery of Non-Depreciable Assets*	INT 16	Yes	Yes
INT FRS 25	*Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders*	INT 17	Yes	Yes
FRS 14	*Segment Reporting*	SAS 23	Yes	Yes
FRS 15	*Information Reflecting the Effects of Changing Prices*	SAS 37	Yes	Yes
FRS 16	*Property, Plant and Equipment*	SAS 14	No	No
INT FRS 14	*Property, Plant and Equipment – Compensation for the Impairment or Loss of Items*	INT 9	Yes	Yes
INT FRS 23	*Property, Plant and Equipment – Major Inspection or Overhaul Costs*	INT 14	Yes	Yes

FRS/ INT FRS	Contents	SAS/INT References	FRS same as IFRS?	FRS same as SAS?
FRS 17	*Leases*	SAS 15	Yes	No
INT FRS 15	*Operating Leases – Incentives*	INT 8	Yes	Yes
INT FRS 27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	INT 22	Yes	Yes
FRS 18	*Revenue*	SAS 16	Yes	Yes
INT FRS 31	*Revenue – Barter Transactions Involving Advertising Services*	INT 21	Yes	Yes
FRS 19	*Employee Benefits*	SAS 17	Yes	Yes
FRS 20	*Accounting for Government Grants and Disclosure of Government Assistance*	SAS 18	Yes	Yes
INT FRS 10	*Government Assistance – No Specific Relation to Operating Activities*	INT 6	Yes	Yes
FRS 21	*The Effects of Changes in Foreign Exchange Rates*	SAS 20	Yes	Yes
INT FRS 7	*Introduction of the Euro*	NA	Yes	NA
INT FRS 11	*Foreign Exchange – Capitalisation of Losses Resulting from Severe Currency Devaluations*	INT 4	Yes	Yes
INT FRS 19	*Reporting Currency – Measurement and Presentation of Financial Statements under FRS 21 and FRS 29*	ED/INT 21	Yes	Yes
INT FRS 30	*Reporting Currency – Translation from Measurement Currency to Presentation Currency*	ED/INT 28	Yes	No
FRS 22	*Business Combinations*	SAS 22	Yes	No
INT FRS 9	*Business Combinations – Classification either as Acquisitions or Uniting of Interests*	INT 11	Yes	Yes
INT FRS 22	*Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported*	INT 13	Yes	Yes
INT FRS 28	*Business Combinations – "Date of Exchange" and Fair Value of Equity Instruments (FRS 22)*	INT 23	Yes	Yes
FRS 23	*Borrowing Costs*	SAS 19	Yes	No
INT FRS 2	*Consistency – Capitalisation of Borrowing Costs*	INT 2	Yes	Yes
FRS 24	*Related Party Transactions*	SAS 21	Yes	No
FRS 25	*Accounting for Investments*	SAS 25	NA	Yes
FRS 26	*Accounting and Reporting by Retirement Benefit Plans*	SAS 24	Yes	No

FRS/ INT FRS	Contents	SAS/INT References	FRS same as IFRS?	FRS same as SAS?
FRS 27	*Consolidated Financial Statements and Accounting for Investments in Subsidiaries*	SAS 26	Yes	Yes
INT FRS 12	*Consolidation – Special Purpose Entities*	INT 5	Yes	Yes
INT FRS 33	*Consolidation and Equity Method – Potential Voting Rights and Allocation of Ownership Interests*	INT 24	Yes	Yes
FRS 28	*Accounting for Investments in Associates*	SAS 27	Yes	No
INT FRS 3	*Elimination of Unrealised Profits and Losses on Transactions with Associates*	INT 3	Yes	Yes
INT FRS 20	*Equity Accounting Method – Recognition of Losses*	INT 12	Yes	Yes
INT FRS 33	*Consolidation and Equity Method – Potential Voting Rights and Allocation of Ownership Interests*	INT 24	Yes	Yes
FRS 29	*Financial Reporting in Hyperinflationary Economies*	SAS 38	Yes	Yes
FRS 31	*Financial Reporting on Interests in Joint Ventures*	SAS 29	Yes	Yes
INT FRS 13	*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*	INT 7	Yes	Yes
FRS 32	*Financial Instruments: Disclosure and Presentation*	SAS 32	Yes	Yes
INT FRS 17	*Equity – Costs of Equity Transaction*	INT 20	Yes	Yes
FRS 33	*Earnings Per Share*	SAS 6	Yes	Yes
INT FRS 24	*Earnings Per Share – Financial Instruments and Other Contracts That May Be Settled in Shares*	INT 15	Yes	Yes
FRS 34	*Interim Financial Reporting*	SAS 30	Yes	Yes
FRS 35	*Discontinuing Operations*	SAS 35	Yes	Yes
FRS 36	*Impairment of Assets*	SAS 36	Yes	Yes
FRS 37	*Provisions, Contingent Liabilities and Contingent Assets*	SAS 31	Yes	Yes
FRS 38	*Intangible Assets*	SAS 34	Yes	Yes
INT FRS 6	*Costs of Modifying Existing Software*	INT 10	Yes	Yes
INT FRS 32	*Intangible Assets – Web Site Costs*	INT 25	Yes	Yes
FRS 39	*Financial Instruments: Recognition and Measurement*	SAS 33	Yes	No
FRS 41	*Agriculture*	SAS 39	Yes	Yes
NA	No FRS Equivalent for *Accounting for Goods and Services Tax*	SAS 28	NA	NA

SUMMARY OF EXPOSURE DRAFTS 2002 ISSUED BY ICPAS AND CCDG

ED/SAS 47, PROPOSED IMPROVEMENTS TO STATEMENTS OF ACCOUNTING STANDARDS

This exposure draft is a comprehensive draft designed primarily to achieve the objectives of greater convergence with US GAAP, incorporation of many of the INTs into the standards, and improve clarity and consistency. It is based on the IAS Improvement Project draft that is scheduled to result in revised standards at the IFRS level in the last quarter of 2003. We anticipate that CCDG will adopt the revisions adopted by the IASB and issue revised FRS during the next year.

ED/SAS 1, Presentation of Financial Statements

- Amends SAS 1 to allow an entity to use a liquidity presentation of assets and liabilities, instead of a current/non-current presentation, only when a liquidity presentation provides more relevant and reliable information.

- Amends SAS 1 to specify that a long-term financial liability that is payable on demand because the entity breached a condition of its loan agreement should be classified as current at the balance sheet date even if the lender has agreed, after the balance sheet date but before the financial statements are authorised for issue, not to demand payment as a consequence of the breach.

- Removes the need to disclose the results of operating activities as a line item on the face of the income statement.

- Removes the need to disclose the number of employees.

- Requires disclosure of the judgments made by management in applying the accounting policies that have the most significant effect on the amounts of items recognised in the financial statements. For example, when management makes judgments in determining whether financial assets are held-to-maturity investments.

- Requires disclosure of key assumptions about the future, and other sources of measurement uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The nature and extent of the information provided varies according to the nature of the assumption and other circumstances. Examples of the types of disclosures made are:

  - the nature of the assumption or other measurement uncertainty;

  - the sensitivity of carrying amounts to the methods used, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;

  - the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and

  - an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

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

- Removes the distinction between fundamental errors (errors of such significance that financial statements are not valid) and other material errors.

- Removes the allowed alternative treatments for changes in accounting policies and fundamental errors, which currently allow cumulative adjustments to income in the current period.

- Amends SAS 8 to require, rather than encourage, disclosure of the nature of a future change in an accounting policy when an entity has yet to implement a new standard that has been issued but not yet come into effect.

In addition, disclosure would be required of the planned date of adoption, and an estimate of the effect of the change on the entity's financial position unless making such an estimate requires undue cost or effort.

ED/SAS 14, Property, Plant and Equipment

Amends SAS 14 to clarify that the requirement to review "periodically" the useful life and depreciation method of an item of property, plant and equipment means that such reviews must at least occur at each financial year-end.

Amends SAS 14 to require disclosure of the following for items of property, plant and equipment stated at revalued amounts:

(a) the basis used to revalue the assets;

(b) the effective date of the revaluation;

(c) whether an independent valuer was involved;

(d) the methods and significant assumptions applied in estimating the assets' fair values;

(e) the extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;

(f) the carrying amount that would have been recognised had the assets been carried under the benchmark treatment for each revalued class of property, plant and equipment; and

(g) the revaluation surplus, indicating the movement for the period and any restrictions on the distribution of the balance to shareholders.

ED/SAS 15, Leases

Clarifies that when a single lease covers both land and buildings, the lease shall be split into two elements. The land element is generally classified as an operating lease under SAS 15.11. The buildings element is classified as an operating or finance lease by applying the criteria of SAS 15. However, the definition of investment property in SAS 40 is being amended so that property rights held under an operating lease can qualify as investment property if the other conditions for investment property are met and the lessee's policy is to account for investment property using the fair value model.

Eliminates the choice of how a lessor accounts for initial direct costs incurred in negotiating a lease by requiring that such costs that are incremental and directly attributable to the lease be capitalised and allocated over the lease term.

ED/SAS 20, The Effects of Changes in Foreign Exchange Rates

Replaces the notion of 'reporting currency' in SAS 20 with two notions: Functional Currency (the currency in which the entity measures the items in its financial statements) and Presentation Currency (the currency in which the entity presents its financial statements).

Revises the provisions in SAS 20 on distinguishing between foreign operations that are integral to the operations of the reporting entity (referred to below as 'integral foreign operations') and foreign entities, to become part of the indicators of what is an entity's functional currency. As a result:

- there is no distinction between integral foreign operations and foreign entities. Rather, an entity that was previously classified as an integral foreign operation would have the same functional currency as the reporting entity and a foreign entity would not.

- only one translation method is needed for foreign operations—namely that previously described in SAS 20 as applying to foreign entities. This would apply to translation for purposes of consolidation and convenience presentation.

Removes the allowed alternative treatment in SAS 20.21 that allows certain exchange differences to be capitalised.

Includes a new requirement that the functional currency is the primary currency of the entity and not just a relevant currency and that a change in functional currency is accounted for prospectively. While a free choice of functional currency is eliminated, a free choice of presentation currency (ies) remains. The Group functional currency would be the Group presentation currency, but each entity would independently determine their functional currency (ies) and choose their presentation currency (ies).

ED/SAS 26, Consolidated Financial Statements and Accounting for Investments in Subsidiaries

Modifies the exemption from preparing consolidated financial statements to indicate that a parent need not present consolidated financial statements to comply with the accounting standards if and only if:

(a) it is a wholly-owned subsidiary or the owners of the minority interests, including those not otherwise entitled to vote, unanimously agree that the parent need not present consolidated financial statements;

(b) its securities are not publicly traded;

(c) it is not in the process of issuing securities in public securities markets; and

(d) the immediate or ultimate parent publishes consolidated financial statements that comply with Singapore's accounting standards.

Note that the RCB may grant waivers from the provisions of the Companies Act with regard to consolidation at the intermediate holding company level. However, item (d) would require intermediate holding companies to present consolidated accounts unless their parent adopted Singapore accounting standards or their equivalent, the IFRS, when the standard is made effective.

Changes the criterion for exclusion from the scope of consolidation when control is intended to be temporary from "in the near future" to "within twelve months from the date of acquisition".

Requires minority interests to be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity.

ED/SAS 27, Accounting for Investments in Associates

When investments meeting the criteria of associates and joint ventures are held by venture capital organisations, mutual funds, unit trusts and similar entities and are measured at fair value in accordance with well-established practice in those industries, those investments will be accounted for at fair value using SAS 33.

ED/SAS 37, Information Reflecting the Effects of Changing Prices

This standard would be withdrawn.

ED/SAS 40, Investment Property

Amends the definition of investment property to permit a property interest held by a lessee under an operating lease to qualify as investment property provided that:

(a) the rest of the definition of investment property is met; and

(b) the lessee uses the fair value model set out in SAS 40.

Requires a lessee that classifies a property interest held under an operating lease as investment property to account for the lease as if it were a finance lease.

ED/SAS 48 PROPOSED AMENDMENTS TO SAS 32 FINANCIAL INSTRUMENTS: DISCLOSURE AND PRESENTATION AND SAS 33 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

This exposure draft will result in further convergence with US GAAP and incorporates many of the INTs and Implementation Guidance Committee questions and answers into the two standards. The revised standards are scheduled for issuance at the IFRS level in the last quarter of 2003. We anticipate that CCDG will adopt the revisions adopted by the IASB and issue revised FRS during the next year.

ED/SAS 32, Financial Instruments: Disclosure and Presentation

The following major changes are proposed:

- The options in SAS 32 to measure the liability element of a compound financial instrument initially as either a residual amount after separating the equity element or by measuring the elements based on a relative-fair-value method are eliminated. Instead, any asset and liability elements are separated first and the residual is the equity element.

- The existing disclosure requirements in SAS 33 are moved to SAS 32.

- An issuer of a compound instrument with multiple embedded derivative features (such as callable convertible bond) is required to disclose information about the existence of those features and the effective yield of that instrument.

ED/SAS 33, Financial Instruments: Recognition and Measurement

SAS 33 has been replaced by FRS 39. FRS 39 will be effective for financial statements covering financial years beginning on or after January 1, 2005 and will supersede SAS 25, *Accounting for Investments* with regard to financial instruments. It should be revised by this exposure draft prior to that time. In order to make this section more useful, we have included concepts addressed in the existing standard, as well as the proposed revisions.

The following major changes are proposed:

Extending the Use of Fair Value

- Permit measurement at fair value of certain financial assets or financial liabilities through designation at inception of financial instruments as part of the held for trading portfolio.

- The option to measure at fair value will also be applicable to originated loans under certain circumstances (for example, mortgage loans) by designating them as available-for-sale.

- Financial assets that do not have a fixed maturity will be eligible for classification as a loan or receivable originated by the entity.

- Eliminates the option to recognise changes in fair value of the available-for-sale (AFS) portfolio in the income statement. Therefore, all fair value changes for AFS financial assets will be recognised in equity. This amendment aims to converge with US GAAP.

Hedge Accounting

- Hedges of firm commitments would be classified as fair value hedges, which is the US treatment in SFAS 133, and not as cash flow hedges, which is the current FRS 39 treatment.

Derecognition

- The derecognition provisions of FRS 39 is clarified by establishing as the guiding principle a 'continuing involvement' approach that disallows derecognition to the extent to which the transferor has continuing involvement in an asset or a portion of an asset it has transferred.

- A transferor has a continuing involvement when:

  - It could, or could be required to, reacquire control of the transferred asset (for example, if the financial asset can be called back by the transferor, the transfer does not qualify for derecognition to the extent of the asset that is subject to the call option); or

  - Compensation based on the performance of the transferred asset will be paid (for example, if the transferor provides a guarantee, derecognition is precluded up to the amount of the guarantee).

- No exceptions are made to the general principle. The following existing exceptions in FRS 39 are eliminated:

  - The notion that the transferor must not retain substantially all of the risk and returns of certain assets in order for any portion of those assets to qualify for derecognition; and

  - The transferee 'right to sell or repledge' condition for derecognition.

- Guidance will be provided dealing with pass-through arrangements. When the transferor continues to collect cash flows from the transferred asset, additional conditions must be met for a transfer to qualify for derecognition, including:

  - The transferor has no obligation to pay cash flows to the transferee unless it collects equivalent cash flows from the transferred asset;

  - The transferor cannot use the transferred asset for its benefit; and

  - The transferor is obligated to remit on a timely basis any cash flows it collects on behalf of the transferee.

- Continuing involvement would exist through call and put options, forwards, guarantees, subordinations, and other means. This model significantly simplifies the accounting for derecognition. This approach has been labelled as a 'sticky fingers' approach in that it is much easier to recognise an asset or liability than to derecognise it. While it simplifies the approach currently shown in FRS 39, it is not a move to conform to US GAAP.

- If a transferor retains a portion of a financial asset and that portion is subordinated for any losses that might occur in the portion that was sold, then the transferor has continuing involvement in the portion sold.

- If a financial asset that is measured at fair value is transferred, and the transfer does not qualify for derecognition because of a retained call or written put option, the measurement of the asset's fair value should be limited by the exercise price of the option.

- Asset and liability balances relating to a transfer that does not qualify for derecognition may not be offset in the balance sheet.

Loan Losses

- A financial asset that is individually identified as impaired should not be included in a group of assets that are collectively assessed for impairment.

- An asset that has been individually assessed for impairment and found not to be individually impaired should be included in a collective assessment of impairment. The occurrence of an event or a combination of events should not be a precondition for including an asset in a group of assets that are collectively evaluated for impairment.

- Assets should be grouped by similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

- Contractual cash flows and historical loss experience should provide the basis for estimating expected cash flow.

- Historical loss rates should be adjusted based on relevant observable data that reflect current economic conditions.

- The methodology for measuring impairment should ensure that an impairment loss is not recognised immediately on initial recognition. In measuring impairment in groups of assets, estimated cash flows (contractual principal and interest payments adjusted for estimated credit losses) should be discounted using an effective interest rate that equates the present value of the estimated cash flows with the initial net carrying amount of those assets.

Disclosure - Valuation Techniques

- Disclosure will be required of the:

  - Extent to which valuations are based on assumptions that are not supported by observable market prices;

  - Sensitivity of those estimated fair values to changes in valuation assumptions; and

  - Changes in estimated fair values recognised based on those valuations.

SUMMARY OF EXPOSURE DRAFTS 2003 ISSUED BY CCDG

ED FRS SHARE-BASED PAYMENT

The scope of this draft includes all share-based payment transactions with employees and other parties, whether settled in equity instruments or cash. There are no exceptions, other than for transactions to which more specific standards apply. For example, there is no exception for employee share purchase plans. This standard would require that all share-based payment transactions be recognized as an expense and that they be measured at the fair value that is most readily determinable.

Measurement principles and specific requirements differ for the three types of share-based payment transactions:

Equity-settled share-based payment transactions - transactions in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).

For transactions with parties other than employees, there is a rebuttable presumption that the fair value of the goods or services received is more readily determinable. The fair value of the goods or services received is used and measured at the date the goods or services are received.

For transactions with employees, the entity is required to measure the fair value of the equity instruments granted. The fair value of an option on an equity instrument is the fair value of the option at the grant date, not the market prices of the shares. The fair value of the option is fixed at the grant date and not revalued even if the option is out-of-the money.

The fair value is then amortised over the vesting period, which is the period from the grant date to the date the employee satisfies all of the conditions for vesting. If services cease to be rendered during the vesting period, no further amounts are recognized beyond the date services are terminated and amounts recognized previously are not reversed. A "units of measure" approach is explained in the exposure draft as the method for amortising the cost, but it has since been abandoned by the IASB. Instead, the US Approach will be used where factors such as forfeiture are estimated for each period and total cost is adjusted prospectively through a cumulative adjustment to income. The initial value of the options is not adjusted.

The fair value of equity instruments granted is required to be based on market prices, if available, and in the absence of market prices, estimates of fair value. In the case of options, where market prices of similar instruments rarely exist, the entity is required to apply an option-pricing model, such as Black-Scholes. These models take into account the exercise price of the option, life of the option, share price, volatility, dividends, and risk-free interest rate, but the standard requires the fair value estimate to include common features of employee share options, such as non-transferability, inability to exercise the option during the vesting period and vesting conditions (including service conditions and performance conditions).

If the terms and conditions of an option or share are modified (e.g. an option is repriced) or if a grant is cancelled, repurchased and/or replaced with another grant of equity instruments, the standard provides specific requirements to account for the effect.

Cash-settled share-based payment transactions - transactions in which the entity acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments. These are for situations where a transaction's value is based on the market prices of an entity's shares at a future date.

For cash-settled share-based payment transactions, an entity is required to measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity is required to remeasure the fair value of the liability at each reporting date, with any changes in value recognised in profit or loss.

Optional settlement share-based payment transactions - transaction in which either the entity or the supplier of those goods or services may choose whether the entity settles the transaction in cash, in amounts that are based on the price (or value) of the entity's shares or other equity instruments, or by issuing equity instruments.

For share-based payment transactions in which either the entity or the supplier of goods or services may choose whether the entity settles the transaction in cash or by issuing equity instruments, the entity is required to account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if the entity has incurred a liability to settle in cash, or as an equity-settled share-based payment transaction if no such liability has been incurred.

The exposure draft calls for extensive disclosures to enable users of financial statements to understand:

(a) the nature and extent of share-based payment arrangements that existed during the period;

(b) how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined; and

(c) the effect of expenses arising from share-based payment transactions on the entity's profit or loss.

The IASB in September 2003 reached a tentative decision that for transactions that are to be measured at fair value and the fair value cannot be reliably estimated at the grant date. Such equity instruments would be measured at intrinsic value (excess of market price over exercise price) on the grant date and remeasured with movements taken to income until the exercise date. If adopted, this would apply to both listed and unlisted companies, and essentially eliminate recognition for unlisted companies as their shares do not have a market price.

This standard is scheduled to be issued by the IASB in March 2004. The CCDG has issued a consultation paper on share-based payments in addition to this exposure draft. It is unclear when Singapore will adopt this standard or if it will be identical to the one issued by the IASB.

ED FRS BUSINESS COMBINATIONS AND RELATED REVISIONS TO SAS 34 INTANGIBLE ASSETS AND SAS 36 IMPAIRMENT OF ASSETS

This draft seeks to align the Accounting Standards with US GAAP with regard to accounting for intangible assets, especially goodwill, and business combinations.

Major revisions to the existing standards on business combinations, intangible assets and impairment are as follows:

- All business combinations covered by the revised standard must use the purchase method, which creates goodwill equal to the difference between the cost of the acquisition and the fair value of the net assets acquired. Uniting (pooling) of interests will no longer be permitted, which used merger accounting whereby the historical balances of the entities were combined and the cost of acquisition was not considered.

- An intangible asset will either have a finite or indefinite useful life. An intangible asset with an indefinite useful life (whether or not acquired in a business combination) will not be subject to the amortisation requirements but should be tested for impairment at each financial year-end (or more frequently if events or changes in circumstances indicate that the asset might be impaired) by comparing the asset's recoverable amount with its carrying amount.

- Goodwill should be accounted for by a non-amortisation plus impairment test model.

- Revaluation of intangible assets with indefinite useful lives will be permitted for intangible assets that (a) have an indefinite useful life and (b) are acquired in a business combination, even if no active market exists for them.

- Purchased in-process research and development (IPR&D) acquired as part of a business combination should be recorded as an intangible asset separate from goodwill when it is separable or arises as a result of contractual or legal rights. In this case, the purchased research is an asset even though research cost would not be recognised as an asset if such costs were incurred directly by the acquirer. If the IPR&D is not contractual or separable, the cost should form part of the amount attributed to goodwill.

- An annual assessment of impairment is required. However, a detailed calculation of recoverable amount is required only if there is evidence of impairment.

- Reversals of impairment losses recognised in respect of goodwill are prohibited.

- Any newly created negative goodwill must be recognised immediately in the income statement as a gain.

- If the estimated life of an intangible asset is changed from indefinite to a finite life, such change will be accounted for as a change in estimate (prospectively). In addition, an immediate impairment test is required, the trigger being the change of estimated life.

- FRS 22 currently includes a benchmark and an allowed alternative treatment for the initial measurement of the identifiable net assets acquired in a business combination. The alternative treatment, that net assets acquired are initially measured at 100% of their fair values, will be mandatory.

- Initial values of assets and liabilities will only be adjusted for an error. The adjustment of the error in the fair values should be made as a prior year adjustment. Revisions of estimate other than errors should not lead to an adjustment to the fair values but, instead, should be recognised in the income statement. Separately identifiable assets or liabilities that do not meet recognition criteria would be recognised and goodwill would be adjusted within the first financial year following the business combination if the recognition was due to new information.

- Reverse take-over accounting prescribed in the existing standard is illustrated in the revised standard. The legal subsidiary is deemed to be the acquirer with consideration computed using a specific formula not related to the shares actually issued. The fair value of the legal parent's assets is determined, with the difference being goodwill or negative goodwill. The shares of the legal parent are shown, but the equity balances are adjusted to equal the share capital and share premium of the legal subsidiary and the consideration given. The retained earnings of the legal subsidiary are carried forward.

Transitional Provisions Effective on Adoption

- Amortisation will stop for any goodwill pre-existing at the time the standards are adopted. Instead, impairment testing will be required. This would apply also to goodwill implicit in an investment accounted for by the equity method.

- Any negative goodwill pre-existing at the time the standards are adopted should be credited directly to retained earnings. This would apply also to negative goodwill implicit in an investment accounted for by the equity method.

- An intangible asset acquired in a business combination before the standards are adopted and that does not meet the recognition criteria in the revised standard on intangible assets would be reclassified as goodwill.

- The revisions to FRS 38 will apply to intangible assets recognised at the time the standards are adopted. Any resulting change in estimated useful life (including a change from a finite life to an indefinite life) would be accounted for prospectively as a change of estimate.

These standards are scheduled to be issued by the IASB in March 2004. We anticipate that CCDG will adopt the revisions adopted by the IASB and issue revised FRSs during the next year.

ED/FRS DISPOSAL OF NON-CURRENT ASSETS AND PRESENTATION OF DISCONTINUED OPERATIONS

The proposals in the ED would result in substantial convergence with the requirements of US GAAP with respect to:

- classifying and presenting discontinued operations; and
- classifying, measuring, and presenting assets held for sale.

A discontinued operation is a component of an entity:

1. that either has been disposed of or is classified as held for sale;
2. whose operations and cash flows have been, or will be, eliminated from the ongoing operations of the entity as a result of the disposal transaction; and
3. in which the entity will have no significant continuing involvement after the disposal transaction.

A component of an entity may be a business, geographical, or reportable segment (FRS 14), a cash-generating unit (FRS 36), or a subsidiary (FRS 27).

The revenue, expenses, and pre-tax profit or loss of a discontinued operations and the tax expense relating thereto should be presented separately on the face of the income statement. The net cash flows attributable to the operating, investing, and financing activities of a discontinued operation should be presented separately, either on the face of the cash flow statement or in the notes.

Two new concepts are introduced by the exposure draft; "held for sale" and "disposal group".

- This classification has not been included in IFRS up to now.
- Non-current assets classified as held for sale should be measured at the lower of carrying amount and fair value less costs to sell.
- Non-current assets classified as held for sale should not be depreciated.
- Assets and liabilities that are to be disposed of together in a single transaction should be treated as a disposal group. The measurement basis proposed for non-current assets classified as held for sale would be applied to the group as a whole, and any resulting impairment loss would reduce the carrying amount of the non-current assets in the disposal group.
- Non-current assets classified as held for sale, and assets and liabilities in a disposal group classified as held for sale, should be presented separately in the balance sheet. The assets and liabilities of a disposal group classified as held for sale should not be offset and presented as a single amount.

This standard is scheduled to be issued by the IASB in March 2004. We anticipate that CCDG will adopt a standard similar to that issued by the IASB and issue a new FRS to replace FRS 35, *Discontinuing Operations,* during the next year.

ED/FRS INSURANCE CONTRACTS

This standard would apply to all insurance contracts, including reinsurance contracts. It would not apply to other assets and liabilities of issuers of insurance contracts, although other standards would apply.

An insurance contract is defined as a contract under which an insurer accepts significant insurance risk by agreeing to compensate the policyholder or other beneficiary for the adverse effect of a specified uncertain future event. An insurance risk is a risk other than a financial risk, which are a risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable.

An insurer would be required to carry out a loss recognition test relating to losses already incurred at each balance sheet date. If the test shows that the measurement of its insurance liabilities (net of related deferred acquisition costs and intangible assets) is insufficient, adjustment of the liabilities is recognised in net profit or loss. Catastrophe and equalisation provisions would be prohibited because they do not reflect loss events that have already occurred and, therefore, are inconsistent with FRS 37.

If an insurance contract would contain both an insurance component and a deposit (investment) component, the deposit component must be treated as a financial liability or financial asset under FRS 39. As a result, the insurer would not recognise premium receipts for the deposit component as revenue. The ED clarifies that the measurement at fair value of a demand feature (such as a demand deposit) is no less than the amount payable on demand and that cash surrender and maturity values of many traditional insurance contracts would not generally be classified as a deposit component.

The derecognition provisions of FRS 39 should be applied to insurance liabilities. Therefore such liabilities cannot be removed from the entity's balance sheet until discharge, cancellation, or expiry.

The ED does not try to eliminate excessive prudence (the existing result of influence of regulatory reporting on GAAP), nor does it prohibit or require deferral of policy acquisition costs. Furthermore, it does not require all insurance subsidiaries of a single parent to use the same accounting policies. An insurer cannot change the measurement basis for its insurance liabilities simply by the purchase of reinsurance.

This standard is scheduled to be issued by the IASB in March 2004. We anticipate that CCDG will adopt a standard similar to that adopted by the IASB and issue a new FRS during the next year.

ED FAIR VALUE HEDGE ACCOUNTING FOR A PORTFOLIO HEDGE OF INTEREST RATE RISK

The ED would permit an entity to use fair value hedge accounting for a portfolio hedge of interest rate risk. This is sometimes called "macro hedging". This revision is scheduled to be issued by the IASB in March 2004. We anticipate that CCDG will adopt this revision and issue a revised FRS 39 during the next year.

ED INT FRS EMISSION RIGHTS

The main proposals in this draft Interpretation are:

- Rights (allowances) to emit pollutant are intangible assets that should be recognised in the financial statements in accordance with FRS 38 *Intangible Assets*.

- When allowances are allocated to a participant by a government (or government agency) for less than their fair value, the difference between the amount paid (if any) and their fair value is a government grant that is accounted for under FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

- As a participant emits pollutants, it recognises a provision for its obligation to deliver allowances or pay a penalty in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*. This provision is normally measured at the market value of the allowances needed to settle it.

NINTH SCHEDULE

The Ninth Schedule is repealed in its entirety. The requirements of the Companies Act in respect of accounting and disclosure matters are now to be covered by the Financial Reporting Standards (FRS) and the Interpretations of the FRS (INT FRS).

Therefore, a number of disclosures required by the Ninth Schedule are eliminated and others will be covered by virtue of the extent of similar disclosure requirements contained in the FRS / INT FRS and /or Listing Manual (LM).

Below is a summary of the requirements under Ninth Schedule that are eliminated/removed:

9th Schedule Paragraph	Contents	Comments
1(1)(c) 8(3) 8(4) 8(5) 8(6) 8(7)	Consolidation by attachment	As accounts and consolidated accounts need to comply with the Accounting Standards, consolidation by attachment is no longer allowed. Exemptions will be required from the Registrar from preparing consolidated financial statements. Where consolidated accounts are prepared and presented, only the balance sheet of the company is required (Refer to Companies Act Section 203).
6(5)	Aggregate quoted market value of each class of investments	Market value is required under FRS 25.49(c) and FRS 32.77 if fair value is not used.
6(8)	Whether valuation of any fixed assets or investments without a quoted market value was made by an officer or an independent valuer	
4(1)(c)	Amount of capital that can only be called up to wind up the company	
4(1)(d)	The amount of capital upon which interest has been paid out of capital during the financial year, and the rate of interest	
8(1)(b)	Amount of the holding company's investment in each class of the share capital of each subsidiary	Only the proportion of ownership interest and voting power held (if different) for significant subsidiaries but not the cost of each subsidiary need to be disclosed [Refer to FRS 27.31(a)].
2(1)(i) 2(1)(k) 4(1)(h)(i) 4(1)(h)(ii) 6(4)	Amount charged for or provision for renewal or replacement of fixed assets or for each class of debtors' accounts – both in the profit and loss and in the balance sheet	Such provisions are not allowed under FRS in accordance with INT FRS 23. FRS 1.73(d) only mentions that provisions are to be analysed and classified in a manner appropriate to the enterprise's operations.
4(4)(k)(i) 4(4)(k)(iv) 4(4)(k)(v)	Outstanding amounts of preliminary expenses, discount on debentures and shares to be disclosed in the balance sheet.	

Detailed listing of the Ninth Schedule Requirements that still need to be continued/followed as they are stipulated by the FRS/INT FRS, LM and/or CA.

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
2(1)	**Disclosure in the profit and loss of the company or the company and its subsidiaries**			
2(1)(a)	Investment / dividend income received or receivable from quoted and unquoted investments in subsidiaries; quoted and unquoted equity investments in companies other than subsidiaries; other quoted and unquoted investments	FRS 1.75(a) FRS 18.34(b)(v) FRS 25.49(b)(i)	LM Appendix 7.2 1(a)(ii)(A)	Do not need breakdown. Additional line items, heading and sub-totals should be presented where necessary
2(1)(b)	Interest income received or receivable (debentures, deposits, loans or advances) from holding company; subsidiaries; other related corporations; and other persons	FRS 1.75(a) FRS 25.49(b)(i) FRS 18.34(b)(iii)	LM Appendix 7.2 1(a)(ii)(B)	
2(1)(c)(i) 2(1)(f)(i)	Profit or loss from sale of assets (other than current assets)	FRS 25.41(c) If the asset is an investment FRS 8.16(c), (d)	LM Appendix 7.2 1(a)(ii)(J)	Gain or loss on fixed assets only for exceptional items
2(1)(c)(ii)	Profit from revaluation of assets (other than current assets)	Note reversal under FRS 36 – impairment of assets (for FRS 16 and FRS 25/ED SAS 40)	LM Appendix 7.2 1(a)(ii)(G)	
2(1)(d) 2(1)(g)	Extraordinary profits or losses	FRS 1.75(g) FRS 8.8(b) FRS 8.9	LM Appendix 7.2 1(a)(ii)(K), (L)	N.B. ED proposes deletion of extraordinary items
2(1)(e)	Interest expense paid or payable (on debentures, deposits, loans or advances) to holding company; subsidiaries; other related corporations; and other persons	FRS 1.75(c)	LM Appendix 7.2 1(a)(ii)(C)	Do not need breakdown
2(1)(f)(ii)	Loss from revaluation of assets (other than current assets)	FRS 36 – impairment loss FRS 8.16(a)	LM Appendix 7.2 1(a)(ii)(J)	

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
2(1)(h)(i)	Depreciation charge or provision set aside for depreciation of fixed assets	FRS 1.80 FRS 1.83 FRS 16.60(e)	LM Appendix 7.2 1(a)(ii)(D)	Classification by nature of expenses and by functions
2(1)(h)(ii)	Provision for diminution in the value of investments	FRS 25.41(b)	LM Appendix 7.2 1(a)(ii)(G)	
2(1)(h)(iii)	Amortization charge of intangible assets	FRS 38.107(d)	LM Appendix 7.2 1(a)(ii)(D)	
2(1)(j) 2(1)(j)(i) 2(1)(j)(ii)	For each of debtors' accounts – Amount of bad debts written off in profit and loss account; Amount of bad debts written off against any provision, reserve or other account		LM Appendix 7.2 1(a)(ii)(E)	
2(1)(l)	Total amount of all forms of remuneration paid to directors, including direct and indirect interests of the directors in issuer's shares and convertible securities and directors' loans	Disclosures may be required under FRS 19 –employee benefits and FRS 24 – if it is related party transactions	CA 201 (8) LM 1207(7), 1207(8) and 1207(11)-(14)	
2(1)(m)	Total amount of all fees paid to auditors, besides audit fees		CA 206(1)(c) – if served with notice LM 1207(6)(a) – non-audit fees paid to auditors.	Auditors' remuneration no longer required to be disclosed
2(1)(n)	Tax provision of prior or subsequent years	FRS 12.79(a)	LM Appendix 7.2 1(a)(ii)(I)	
2(1)(o)	Other types of provisions	FRS 37.84 FRS 1.73(d)		
2(1)(p)	Withdrawal of unused amount from the provisions made previously	FRS 37.84		
2(2)	Current tax and deferred tax provision	FRS 12.79(a)		

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
3	**Movements in the various reserves account**	FRS 1.86(e)		
3(a)	Beginning balance of the un-appropriated profits or accumulated losses	FRS 1.86(e)		
3(b)	Net profit or loss for the current financial year	FRS 1.86(a)		
3(d)	Transfers/additional provisions to any reserves	FRS 1.73(e) FRS 1.74(b) FRS 1.86(f)		
3(e)	Amount withdrawn or proposed to be withdrawn from any reserves	FRS 1.73(e) FRS 1.74(b) FRS 1.86(f)		
3(h)	Reserves for redemption of share capital or of loans	FRS 1.74(b) FRS 1.86(f) FRS 7.78 if cash or cash equivalent not available for use		
3(i)	Amount of dividend paid and proposed dividend made during the current year	FRS 1.74(c) FRS 1.85	CA 403(1)	
3(j)	Adjustments or any appropriations affecting opening balance of the un-appropriated profits or accumulated losses	FRS 1.86(e) FRS 8.28		
3(k)	Ending balance of the un-appropriated profits or accumulated losses	FRS 1.86(e)		
4(1)	**Movements in the share capital and various reserves account**	FRS 1.74	LM Appendix 7.2 1(d)	
4(1)(a)	Details of amount and particulars of the authorized and issued capital for the different classes of shares	FRS 1.74		
4(1)(b)	Detailed particulars of each class of preference shares – rate of dividend, amount of dividend arrears, cumulative or non-cumulative, participating or non-participating, redeemable or non-redeemable, earliest date of redemption	FRS 32.47(a) FRS 1.74(d)		
4(1)(e)	Detailed breakdown of amount with descriptions for all reserves	FRS 1.74(b)		
4(1)(f)	Amount of share premium account	FRS 1.74(b)		

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
4(1)(g)	Ending balance of un-appropriated profits or accumulated losses; any accumulated losses shown as a deduction from amount of paid-up capital and reserves	FRS 1.86(e)		
4(1)(h) 4(1)(h)(iv)	Breakdown of the amount and particulars of provisions	FRS 37.84		
4(1)(h)(iii)	Separate disclosure for current and deferred tax liabilities and any provision in respect of undue fluctuations in income tax liability	FRS 1.66(i) FRS 12.67 FRS 12.68 FRS 12.79(a)		
4(2)	**Separate classifications of current and non-current liabilities under appropriate headings based on the nature or function in the business**	FRS 1.53 FRS 1.54 FRS 1.67 FRS 1.72	LM Appendix 7.2 1(b)(ii)	
4(2)(a)	Bank loans	FRS 1.66(k)		
4(2)(b)	Bank overdrafts	FRS 1.62		
4(2)(c)	Debentures held by subsidiaries; holding company; other related corporations and other persons	FRS 1.66(k) FRS 32.47(a)		
4(2)(d)	Trade creditors and bills payable	FRS 1.66(h)		
4(2)(e)	Other amounts payable to subsidiaries, holding company and other related corporations	FRS 1.72		
4(2)(f)	Amount and particulars of capital expenditure commitments	FRS 16.61(d) FRS 1.93		
4(2)(g)	Amounts, descriptions and particulars of other liabilities	FRS 1.70(c) FRS 1.72		
4(3)	Nature and amount of contingent liabilities	FRS 37.86 FRS 1.93		
4(4)	**Separate disclosures of the amounts and descriptions of all assets under appropriate headings in accordance to their nature or function in the business**	FRS 1.53 FRS 1.57		
4(4)(a)	Cash at bank and in hand	FRS 1.66(g)		
4(4)(b)	Stock on hand	FRS 1.66(e)		
4(4)(c)	Work in progress	FRS 2.32		
4(4)(d)	Government and other public debentures, stock and bonds	FRS 1.72		If material

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
4(4)(e)	Shares in holding company; subsidiaries; other related corporations; and other corporations	FRS 24.22 If related party		
4(4)(f)	Debentures of holding company; subsidiaries; other related corporations; and other corporations	FRS 24.22 If related party		
4(4)(g)	Trade debtors and bills receivable	FRS 1.66(f)		
4(4)(h)	Amount receivable from the holding company; subsidiaries; other related corporations; and other persons	FRS 24.22 If related party		
4(4)(i)	Loans to directors of the company or of a related corporation or loans to any other corporations in which a director or directors of the company or of a related corporation has/have a controlling interest	FRS 24.22 If related party	LM 1207(8)	
4(4)(j)	Outstanding amount of goodwill, patents or trademarks	FRS 22.88(e) FRS 38.107(e)		
4(4)(k) 4(4)(k)(ii)	Outstanding expenses incurred in connection with any issue of shares or debentures;	INT FRS 17.9		
4(4)(k)(iii)	Commission paid in respect of any shares or debentures	INT FRS 17.9		
4(4)(l)	Amounts, descriptions and particulars of other assets	FRS 1.70(a) FRS 1.72		If material
5(1)	Separate disclosures of secured and unsecured liabilities and contingent liabilities, with statement showing the extent to which the liabilities and contingent liabilities are secured	Assets pledged as collateral must be disclosed: FRS 2.31(f) - inventories FRS 16.61(a) – property, plant and equipment FRS 38.111(d) –intangible assets FRS 39.167(g) – financial assets FRS 41.49(a) – biological assets	LM Appendix 7.2 1(b)(ii)(C), (D)	Whether contingent liabilities are secured or not is no longer required to be disclosed

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
5(2)	Current assets and current liabilities to be clearly distinguished from other assets and liabilities	FRS 1.53 FRS 1.54	LM Appendix 7.2 1(b)(ii)	
6(1)	Disclosure on the method of computation (if more than one method is used, a sub-total for each) for fixed assets, investments, stock on hand and work in progress	FRS 1.99 FRS 2.31(a) FRS 16.60(a) FRS 25.49(a)		
6(2)	**For each class of fixed assets or investments:**			
6(2)(a)	Separate total for cost and at valuation	FRS 16.60(a) FRS 16.64 FRS 25.49(a), (c), (d)		
6(2)(b)	Depreciation, diminution in value, amortization and amount written off	FRS 16.60(d)		
6(2)(c)	Carrying value	FRS 16.60(d) FRS 16.60(e)		
6(6)	For fixed asset or investment (excluding quoted investment) shown at valuation or at a valuation less amount written off, disclosure on the date of valuation and whether the valuation was made by an officer of the company or of a related corporation or by an independent person should be shown	FRS 16.64(b) FRS 16.64(c) FRS 25.49(f)		
6(7)	Where the valuation is done by an independent person, the name and qualifications of this person to be disclosed in the first accounts in which reference is made to the valuation	FRS 16.64(c) FRS 25.49(f)		

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
6(9)	**Disclosure in respect of land or interests in land acquired or held for sale or resale:**			
6(9)(a) 6(9)(b) 6(9)(c)	Total costs of acquisition (excluding any costs of surveys, roads and drainage and other development expenses) Total of all development costs incurred to date Total of all rates, property taxes, interest and other similar overhead expenditure capitalized	FRS 16.60(e) requires reconciliation of carrying amount and FRS 23.38(b) requires the disclosure of borrowing costs		For development projects, the total of all development costs and the total of all rates, property taxes and other similar overhead expenses that have been capitalized, no longer need to be disclosed separately
7	Balance sheet of a borrowing or guarantor corporation should provide the following breakdown of (by way of note or otherwise) estimates of amounts payable by and the debts payable to, the company: (a) not later than two years (b) later than two years but not later than 5 years; and (c) later than 5 years, after the end of the financial year	FRS 32.66 and FRS 32.47(a)		No detailed schedule by periods specifically mention in FRS
8(1)(a)	Name and place of incorporation of each subsidiary, and if any business of the subsidiary is carried on in a country outside Singapore, the name of that country	FRS 27.31(a)	Disclosure of name of accounting firms for all Singapore subsidiaries, associates, joint ventures and significant foreign subsidiaries, associates and joint ventures as defined in LM Rule 718	Requirement for the name and place of incorporation of each subsidiary, and place of business if outside Singapore is removed. Only listing of significant subsidiaries need to be disclosed

9th Schedule Paragraph	Contents	FRS / INT FRS Requirements	LM / CA Requirements	Comments
8(1)(c)	Percentage of each class of shares in each subsidiary held by the holding company	FRS 27.31(a)		
8(1)(d)	The dates on which the financial year of the holding company and the subsidiary ends, if they do not coincide	FRS 27.18		
9	All accounts or consolidated accounts shall be in Singapore currency and any conversion to be based on exchange rate at the end of the financial year, otherwise an explanation of the methods used shall be made	FRS 21.8 FRS 21.10 INT FRS 19.10 INT FRS 30.6		FRS 21 indicates that an enterprise normally uses the currency in which it is domiciled
10(a)	Comparative figures to be shown for all balance sheet items and all notes attached to it	FRS 1.38	LM Appendix 7.2 1(b)(i)	
10(b)	Comparative figures to be shown for all profit and loss accounts and all notes attached to it	FRS 1.38	LM Appendix 7.2 1(a)	
11	Disclosure on the method used to deal with, or calculate the amount of, the item or information. If the accounts or consolidated accounts could be misleading by reason of a failure to explain the method used in dealing with, or calculating the amount of, any item or information included in or excluded from the accounts or consolidated accounts.	FRS 1.13 FRS 1.91(c)	CA 207	

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