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Changes to the financial reporting framework in Singapore

December 2023

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Acronyms

ACRA	Accounting and Corporate Regulatory Authority
ASC	Accounting Standards Committee
FRB	Financial Reporting Bulletin issued by the ISCA
FRG	Financial Reporting Guidance issued by the ISCA
FRS	Singapore Financial Reporting Standards issued by the ASC
IAS® Standards	IAS Standards issued by the IASB
IASB	International Accounting Standards Board
IFRIC® Interpretations	IFRIC Interpretations issued by the IFRS Interpretations Committee
IFRS® Accounting Standards	IFRS Accounting Standards issued by the IASB
INT FRS	Interpretation of Singapore Financial Reporting Standards issued by the ASC
ISCA	Institute of Singapore Chartered Accountants
ISSB	International Sustainability Standards Board
RAP	Recommended Accounting Practice issued by the ISCA
SFRS(I)	Singapore Financial Reporting Standards (International) issued by the ASC
SFRS(I) INT	Interpretation of Singapore Financial Reporting Standards (International) issued by the ASC
SGX	Singapore Exchange Limited
SGX LR	SGX Listing Rules
SGX RegCo	Singapore Exchange Regulation
SGX-ST	Singapore Exchange Securities Trading Limited
SIC	Standing Interpretations Committee
TB	Technical Bulletin issued by the ISCA

*Deloitte Singapore is one of the Deloitte IFRS Centres of Excellence ("COE") around the world. The IFRS COE accreditation was awarded by the Deloitte Global IFRS Leadership Team as recognition of Deloitte Singapore's team of IFRS experts with evidenced market leadership in IFRS Accounting Standards.

24th edition
Contents of booklet current as of 30 November 2023

The purpose of this publication is to provide a roundup of the recent changes in the Singapore financial reporting framework and related local regulatory requirements since our last published edition, which we believe are important to accounting professionals. It includes a high-level overview of new and revised financial reporting requirements that need to be considered for annual reporting periods beginning on or after 1 January 2023, and comparisons to the IFRS Accounting Standards.

Section 1: Financial reporting standards

This Section provides an overview of the new and revised pronouncements on financial reporting standards applicable for entities in Singapore.

- Summary of new and revised pronouncements issued as of 30 November 2023 and their effective dates
- Highlights of each new/revised pronouncement and key accounting considerations
- Significant agenda decisions from the IFRS Interpretations Committee issued since 30 November 2022
- Summary of key differences between SFRS(I) and IFRS Accounting Standards
- Summary of key differences between FRS and IFRS Accounting Standards

Section 2: Other financial reporting matters

This Section sets out other matters within the Singapore financial reporting framework, including developments in sustainability reporting requirements, which Singapore entities should take note of.

ACRA	Financial Reporting Surveillance Programme (FRSP) Fourth Report
ACRA	Financial Reporting Practice Guidance No. 1 of 2023: Areas of Review Focus for FY2023 Financial Statements under ACRA's Financial Reporting Surveillance Programme
ACRA/IPOS	Intangibles Disclosure Framework (IDF)
ACRA/SGX RegCo	Recommendations by the Sustainability Reporting Advisory Committee (SRAC)
SGX RegCo	Climate Reporting for Listed Companies
SGX RegCo	Regulator's Column: What Singapore Exchange Regulation ("SGX RegCo") expects of disclosures around key financial indicators
SGX RegCo	Regulator's Column: Developing and executing a credible climate transition plan
ISCA	RAP 7 Reporting Framework for Investment Funds – revised for amended SFRS(I) 1-1 and FRS 1
ISCA	FRB 9 (Revised Jan 2023) Accounting Implications of the Interest Rate Benchmark Reform in Singapore
ISCA	FRB 10 Real Property Valuation for Financial Reporting – Fair Value Based on the Highest and Best Use
ISCA	Climate Disclosure Guide Volume 2 - First steps in conducting climate-related scenario analysis
ISSB	ISSB issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosure

Deloitte Resources:

- Deloitte Accounting Research Tool is a comprehensive library of accounting and financial disclosure literature.
- IAS Plus provides IFRS Accounting Standards related e-Learning modules, newsletters, model financial statements, disclosure checklists and a wealth of information on ongoing projects and issues.

Links to relevant resources are included within the content of this publication.

Section 1: Financial reporting standards

Summary of new and revised pronouncements issued as of 30 November 2023 and their effective dates

The summary of new and revised pronouncements below is updated for SFRS(I) Standards issued as of 30 November 2023. This listing can be used to perform a quick check that the new and revised pronouncements on financial reporting standards in Singapore have been fully considered in the reporting close process. The information below can also be used to assist with the disclosure requirements under paragraph 30 of SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors, which requires entities to disclose any new pronouncements that are in issue but not yet effective, and which are likely to impact the entity.

SFRS(I)	New and revised pronouncements	Effective date*
Amendments to SFRS(I) 1-12	International Tax Reform – Pillar Two Model Rules – Application of the exception and disclosure of that fact	Effective immediately upon issuance
Amendments to SFRS(I) 1-12	International Tax Reform – Pillar Two Model Rules – other disclosure requirements	1 January 2023
SFRS(I) 17 and amendments to SFRS(I) 17	Insurance Contracts	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8	Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12 and SFRS(I) 1	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to SFRS(I) 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 1-1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 1-1	Non-current Liabilities with Covenants	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7	Supplier Finance Arrangements	1 January 2024
Amendments to SFRS(I) 1-21 and SFRS(I) 1	Lack of Exchangeability	1 January 2025
Amendments to SFRS(I) 10 and SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

*Annual reporting periods beginning on or after

Highlights of each new/revised pronouncement and key accounting considerations

Below highlights the key features of each new and revised pronouncement and the related accounting considerations.

Amendments to SFRS(I) 1-12 - International Tax Reform – Pillar Two Model Rules

These amendments introduce a temporary exception from accounting for deferred taxes arising from the implementation of the OECD Pillar Two model rules, together with targeted disclosure requirements for affected entities.

Applying the exception, an entity does not recognise deferred tax assets and liabilities related to the OECD Pillar Two income taxes. It also does not disclose any information about these deferred tax assets and liabilities.

In periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity is required to disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

An entity is required to apply the exception and to disclose that it has applied the exception immediately upon issuance of the amendments and apply them retrospectively in accordance with SFRS(I) 1-8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

Key considerations:	• Various jurisdictions have started the process of enacting tax legislation to implement the Pillar Two model rules. Entities that may be subject to them will need to monitor the legislation process in the jurisdictions in which they operate and assess whether the Pillar Two legislation has been enacted (or substantively enacted) in any such jurisdictions. Once the Pillar Two legislation has been enacted or substantively enacted, an entity will need to consider the SFRS(I) 1-12 impact of legislation on its financial statements. • Consider the extent and ability of the required qualitative and quantitative information to be estimated reliably to meet the disclosure objective for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect.

The amendments are generally adopted from the amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules as issued by the IASB.

For more information: iGAAP in Focus Newsletter

SFRS(I) 17 Insurance Contracts

SFRS(I) 17 has been issued to replace SFRS(I) 4 Insurance Contracts. The new standard, which supersedes SFRS(I) 4, establishes the requirements for recognition, measurement, presentation, and disclosure of insurance contracts. Subsequent amendments to SFRS(I) 17 are discussed in the following pages.

Scope

An entity shall apply SFRS(I) 17 to:

- insurance contracts, including reinsurance contracts it issues;
- reinsurance contracts it holds; and
- investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply SFRS(I) 15 Revenue from Contracts with Customers to these contracts, provided certain criteria are met.

Some contracts meet the definition of an insurance contract but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract (e.g. loans with death waivers). If such contracts issued are not excluded from the scope of SFRS(I) 17 by paragraph 7, an entity may elect to apply either SFRS(I) 17 or SFRS(I) 9 Financial Instruments to such contracts it issues.

SFRS(I) 17 for Non-insurers

SFRS(I) 17 applies to insurance contracts regardless of the issuer, i.e. SFRS(I) 17 does not apply only to insurance or reinsurance entities. This means that some contracts entered into by non-insurers may be in the scope of SFRS(I) 17 and consequently will need to be accounted for using the requirements in SFRS(I) 17.

The assessment as to whether a contract is an insurance contract can be very complex, especially as the principles for determining whether a contract is an insurance contract in the scope of SFRS(I) 17 may be unfamiliar to those performing the assessment. Advice from specialist advisors may be required. Entities will need to pay attention to the scope of SFRS(I) 17 that includes various exceptions and exemptions that require or allow some contracts that meet the definition of an insurance contract to be accounted for by applying another SFRS(I), for example SFRS(I) 15 or SFRS(I) 9.

A Closer Look — IFRS 17 for Non-insurers provides guidance on those aspects of SFRS(I) 17 that non-insurers should consider as they assess whether contracts they issue are within the scope of SFRS(I) 17 or not.

Level of aggregation

SFRS(I) 17 requires entities to identify portfolios of insurance contracts which are subject to similar risks and managed together. Each portfolio shall be divided into a minimum of three groups:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

An entity is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio falls into different groups only because law or regulation constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the entity may include those contracts in the same group.

Recognition

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

a. the beginning of the coverage period of the group of contracts;
b. the date when the first payment from a policyholder in the group becomes due; and
c. for a group of onerous contracts, when the group becomes onerous.

Measurement

The standard measures insurance contracts either under the general model or a simplified version called the Premium Allocation Approach.

The general model is defined such that at initial recognition, an entity shall measure a group of contracts at the total of:

- the fulfilment cash flows ("FCF"), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money ("TVM") and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and
- the contractual service margin ("CSM").

An entity shall include all the future cash flows within the boundary of each contract in the group. The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing, and uncertainty of those future cash flows.

On subsequent measurement, the carrying amount at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the group at that date.

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or if the coverage period of each contract in the group is one year or less.

Presentation and disclosures

The new standard is expected to change the way results of insurance contracts are presented in the statement of financial performance by insurance entities. It also requires more granular and detailed disclosures in financial statements given the high degree of judgement in the standard.

Effective date and transition

On 27 November 2020, Amendments to SFRS(I) 17 deferred the effective date of SFRS(I) 17 to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if SFRS(I) 9 has also been applied. Three possible approaches are introduced for transition to SFRS(I) 17, including Full Retrospective Approach, Modified Retrospective Approach, and Fair Value Approach.

Key considerations:

- Consider whether contracts entered into by non-insurers may be in scope of SFRS(I) 17
- Consider the changes required to processes, IT systems, and internal controls as a result of both the new measurement model and new disclosure requirements.
- Consider how the actuarial valuation and financial reporting systems and data warehouses can be adapted to comply with SFRS(I) 17 calculations.
- Consider whether the reporting timeframes need to be extended or reviewed to accommodate the complex calculations and disclosures required by the new standard.
- Consider the need for change management and the related communication required for analysts and regulators during the transition period and for subsequent reporting.
- Consider the need of access to additional granular data. E.g. cash flows, discount rates, and risk adjustments (including forward looking projections and past projections).
- Consider the need of business strategy changes to produce a stronger, less volatile, and growing business as profit drivers change.
- Consider the potential tax impact arising from the application.

The Standard is generally adopted from the IFRS 17 Insurance Contracts as issued by the IASB.

For more information: IFRS in Focus Newsletter and A Closer Look — IFRS 17 for Non-insurers

Amendments to SFRS(I) 17 - Insurance Contracts

Issued in 2020, targeted amendments were made to the following aspect of SFRS(I) 17:

- Deferral of effective date of SFRS(I) 17 to 1 January 2023 and the fixed expiry date for the temporary exemption in SFRS(I) 4 from applying SFRS(I) 9.
- Scope exclusion for credit card contracts and similar contracts and optional scope exclusion for loan contracts with insurance coverage limited to the loan amount.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including guidance for insurance acquisition cash flows recognised in a business combination.
- Application of SFRS(I) 17 in interim financial statements – Allocation of CSM attributable to investment-return service and investment related service.
- Risk mitigation option using instruments other than derivatives.
- Recovery of losses from underlying insurance contracts through reinsurance contracts held.
- Presentation in the statement of financial position.
- Transition issues: classification of contracts acquired in their settlement period and guidance on the restatement of the risk mitigation option applied in prior periods.
- Minor application issues.

Key considerations: Apart from taking into consideration the initial application considerations highlighted above, entities should also consider the additional accounting implication and/or applicability of the additional amendments in the initial and subsequent application of SFRS(I) 17.

The amendments are generally adopted from the amendments to IFRS 17 – Insurance Contracts as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to SFRS(I) 17 - Initial Application of SFRS(I) 9 and SFRS(I) 17 – Comparative Information

Many insurance entities have elected to apply the temporary exemption that allows them to defer the adoption of SFRS(I) 9 until they apply SFRS(I) 17. However, the two Standards have different requirements with respect to the comparative information presented on initial application. SFRS(I) 17 requires entities to present at least one restated comparative period, while SFRS(I) 9 permits (but does not require) the restatement of comparative periods. SFRS(I) 9 prohibits entities from applying SFRS(I) 9 to financial assets derecognised before the date of initial application of SFRS(I) 9.

For entities that apply SFRS(I) 17 and SFRS(I) 9 at the same time, this amendment issued in 2021 relates to financial assets for which comparative information presented on initial application of SFRS(I) 17 and SFRS(I) 9 has not been restated for SFRS(I) 9 (including financial assets that have been derecognised in the comparative period). Applying the amendment, an entity is permitted to present comparative information about such financial assets as if the classification and measurement requirements of SFRS(I) 9 had been applied to the financial assets. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of SFRS(I) 9.

The amendment is also available for entities that have applied SFRS(I) 9 before they apply SFRS(I) 17. For these entities, the classification overlay applies to financial assets that have been derecognised in the comparative period and permits an entity to apply the redesignation requirements of SFRS(I) 17 based on how the entity expects the asset would have been designated at the initial application of SFRS(I) 17.

The amendment is effective at the time an entity first applies SFRS(I) 17.

Key considerations:	Consider whether to apply the classification outlay or not as it is optional on an instrument-by-instruments basis.

The amendments are generally adopted from the amendments to IFRS 17 Initial Application of IFRS 9 and IFRS 17 - Comparative Information as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 - Disclosure of Accounting Policies

The amendments change the requirements in SFRS(I) 1-1 with regards to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to SFRS(I) 1-1 are made to explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added.

To support the amendments, guidance and examples were developed to demonstrate the application of the 'four-step materiality process' described in SFRS(I) Practice Statement 2.

Key considerations:	With the introduction of the concept of 'material accounting policy', entities would need to apply judgement to consider if a particular accounting policy under its circumstances would be considered as material. Although not mandatory to apply, entities are encouraged to refer to SFRS(I) Practice Statement 2, as it provides guidance on how to make those judgements on material accounting policies disclosures.

The amendments are generally adopted from the amendments to IAS 1 - Disclosure of Accounting Policies as issued by the IASB.

For more information: IFRS in Focus Newsletter.

Amendments to SFRS(I) 1-8 - Definition of Accounting Estimates

Before the amendments, SFRS(I) 1-8 included definitions of accounting policies, and a change in accounting estimates, but entities found it difficult to distinguish between accounting policies and accounting estimates. The combination of a definition of one item (accounting policies) with a definition of a change in another item (change in accounting estimates) obscured the distinction between both items. To make the distinction clearer, the definition of a change in accounting estimates was replaced with a definition of accounting estimates.

SFRS(I) 1-8 is amended to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments also clarifies that a change in accounting estimates that result from new information or new developments is not the correction of an error. In addition, the effects of a change in input or a measurement technique used to develop accounting estimates are changes in accounting estimates if they do not result from the correction of prior period errors.

Key considerations:	Identifying accurately if a change is arising from a change in accounting estimates or accounting policy is critical as the former entails a prospective accounting application while the latter is to be applied retrospectively.

The amendments are generally adopted from the amendments to IAS 8 - Definition of Accounting Estimates as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to SFRS(I) 1-12 and SFRS(I) 1 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Before this amendment, it was not clear if SFRS(I) 1-12 required recognition of deferred taxes for the offsetting temporary differences arising from simultaneous recognition of asset and liability or if the initial recognition exemption can be applied. That exemption prohibits an entity from recognising deferred tax assets and liabilities on initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable profit.

The amendments narrow the scope of the initial recognition exemption, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying SFRS(I) 16 at the commencement date of a lease.

Following the amendments to SFRS(I) 1-12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in SFRS(I) 1-12.

An illustrative example was also added to SFRS(I) 1-12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
    - Right-of-use assets and lease liabilities; and
    - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset, and

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Key considerations:	Consider if existing accounting policy requires revision to align with the amendments and the need to recognise related deferred tax assets and deferred tax liabilities respectively arising from the simultaneous recognition of liability and asset. Note that the existing offsetting criteria for presentation of deferred tax assets and liabilities in statement of financial position, and the disclosure requirements on each type of temporary difference have not changed.

The amendments are generally adopted from the amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction as issued by the IASB.

For more information: IFRS in Focus Newsletter

Amendments to SFRS(I) 16 - Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SFRS(I) 15 to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

As part of the amendments, an Illustrative Example in SFRS(I) 16 was amended and a new example was added to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying SFRS(I) 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. A seller-lessee applies the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied SFRS(I) 16.

Key considerations:	Consider if existing accounting policy requires revision to align with the amendments in circumstances where a seller-lessee may have recognised a gain on the right-of-use asset it retains solely because of a remeasurement of the lease liability (e.g. following a lease modification or change in the lease term) applying the general requirements in SFRS(I) 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

The amendments are generally adopted from the amendments to IFRS 16 Lease Liability in a Sale and Leaseback as issued by the IASB.

For more information: iGAAP in Focus Newsletter

Amendments to SFRS(I) 1-1 - Classification of Liabilities as Current or Non-current (2020 amendments)

In May 2020, the amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current was issued with an effective date for annual reporting periods beginning on or after 1 January 2022. The 2020 amendments:

- clarifies the classification of liabilities as current or non-current, is based on rights that are in existence at the end of the reporting period.
- specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- explains that rights are in existence if covenants are complied with at the end of the reporting period.
- introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

On 23 July 2020, the effective date was deferred by the amendments by one year to annual reporting periods beginning on or after 1 January 2023. The effective date of the amendments was subsequently deferred to 1 January 2024 by amendments to SFRS(I) 1-1 Non-current Liabilities with Covenants (2022 amendments). Earlier application of the amendments will continue to be permitted. If an entity applies the 2022 amendments for an earlier period, it is also required to apply the 2020 amendments early.

Key considerations:	Consider whether existing classification of liabilities requires reclassification to align with the amendments.

The amendments are generally adopted from the amendments to IAS 1 - Classification of Liabilities as Current or Non-current as issued by the IASB.

For more information: iGAAP in Focus Newsletter

Amendments to SFRS(I) 1-1 – Non-current Liabilities with Covenants (2022 amendments)

The 2022 amendments specifies that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The 2022 amendments also specifies that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The 2022 amendments are applied retrospectively in accordance with SFRS(I) 1-8 for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies the 2022 amendments for an earlier period, it is also required to apply the 2020 amendments early.

Key considerations:	• Consider if there is any implication on classification assessment. • Consider if additional disclosure is needed to align with the amendments. • Consider if disclosures are adequate for users of financial statements to understand the liquidity risks or if applicable, the Company's ability to operate as a going concern.

The amendments are generally adopted from the amendments to IAS 1 – Non-current Liabilities with Covenants as issued by the IASB.

For more information: iGAAP in Focus Newsletter

Amendments to SFRS(I) 1-7 and SFRS(I) 7 – Supplier Finance Arrangements

The amendments to SFRS(I) 1-7 require an entity to provide qualitative and quantitative information about its supplier finance arrangements. The term ‘supplier finance arrangements’ is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. In addition, SFRS(I) 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. An entity is required to apply the amendments to SFRS(I) 7 when it applies the amendments to SFRS(I) 1-7.

Key considerations:

- Consider if existing finance arrangement have characteristics that would be considered as a ‘supplier finance arrangement’ that would require an entity to meet this disclosure objective.
- Consider the means of obtaining information necessary to meet the required disclosure objective. Information such as the carrying amounts, and associated line items, of financial liabilities that are part of supplier finance arrangements for which suppliers have already received payment from finance providers may not be readily available.

The amendments are generally adopted from the amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements as issued by the IASB.

For more information: iGAAP in Focus Newsletter

Amendments to SFRS(I) 1-21, SFRS(I) 1 Lack of Exchangeability

The amendments to SFRS(I) 1-21 specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable when an entity is able to exchange that currency for the other currency through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. However, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose.

When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively but instead, it is required to apply the specific transition provisions included in the amendments.

Key considerations:	Consider disclosures to help users of the financial statements understand the significant judgements made and any key sources of estimation uncertainty.

The amendments are generally adopted from the amendments to IAS 21 – Lack of Exchangeability as issued by the IASB.

For more information: iGAAP in Focus Newsletter

Amendments to SFRS(I) 10 and SFRS(I) 1-28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

A narrow-scope amendment was issued to clarify that in a transaction involving a sale or contribution of assets between an investor and its associate or joint venture, the extent of gain or loss to be recognised by the investor depends on whether the assets sold or contributed constitute a business. However, the amendments to these standards were deferred indefinitely until the research project on the equity method has been concluded. Early application continues to be permitted

Key considerations:	• Consider whether to adopt an accounting policy consistent with the amendments. • Consider following the equity method project at IFRS - Equity Method for the latest developments.

The amendments are generally adopted from the amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture as issued by the IASB.

For more information: iGAAP in Focus Newsletter

Significant agenda decisions from the IFRS Interpretations Committee issued since 30 November 2022

The IFRS Interpretations Committee (Committee) has published a number of agenda decisions providing guidance on the appropriate accounting for specific transactions. Agenda decisions often include information to help companies in applying IFRS Accounting Standards (“Standards”). They do so by explaining how the applicable principles and requirements in the Standards apply to the submission. The objective of including explanatory material in Agenda Decisions is to improve consistency in the application of the Standards.

Explanatory material derives its authority from the Standards themselves. Accordingly, an entity is required to apply the applicable IFRS Accounting Standard(s), reflecting the explanatory material in an agenda decision. Explanatory material may provide additional insights that might change an entity’s understanding of the principles and requirements in IFRS Accounting Standards. Because of this, an entity might determine that it needs to change an accounting policy as a result of an Agenda Decision.

Entities applying the financial reporting framework under SFRS(I), which is based on the IFRS Accounting Standards issued by the IASB, should also consider the impact of the Agenda Decisions on their financial statements. Where a change in accounting policy is required, an entity must account for the change applying SFRS(I) 1-8 and consider the related disclosures required leading up to the implementation of the change.

The Agenda Decisions published by the IFRS Interpretations Committee are available at the IFRS website. A list of Agenda Decisions finalised since 30 November 2022 to the date of this publication has been included below for reference.

Agenda Decision	Finalisation Date
Definition of a Lease—Substitution Rights* (IFRS 16)	April 23
Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)	October 23
Homes and Home Loans Provided to Employees	October 23
Guarantee over a Derivative Contract (IFRS 9)	October 23

*Selected topic that might apply more widely is discussed below.

Definition of a Lease—Substitution Rights (IFRS 16 Leases)

In April 2023, the Committee decided to finalise the agenda decision arising from a request about how to assess whether a contract contains a lease.

The request asked about:

a. the level at which to evaluate whether a contract contains a lease - by considering each asset separately or all assets together, when the contract is for the use of more than one similar asset; and
b. how to assess whether a contract contains a lease applying IFRS 16 when the supplier has particular substitution rights - i.e. the supplier:
    i. has the practical ability to substitute alternative assets throughout the period of use; but
    ii. would not benefit economically from the exercise of its right to substitute the asset throughout the period of use.

In the fact pattern described in the request, each asset is an identified asset and the supplier does not have the substantive right to substitute each asset throughout the period of use. To assess whether the contract contains a lease, the customer would then apply the requirements in paragraphs B21–B30 of IFRS 16 to assess whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from use, and direct the use, of each asset. If the customer concludes that the contract contains a lease, it would apply the requirements in paragraphs 18–21 of IFRS 16 to determine the lease term.

The Committee concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to evaluate the level at which to assess whether the contract contains a lease and whether there is an identified asset in the fact pattern described in the request. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Key considerations:	• Entities would need to identify each potential separate lease components as SFRS(I) 16 requires the assessment on whether a contract contains a lease, including evaluating whether the supplier’s substitution right is substantive, to be done for each potential separate lease component. • Entities would need to apply judgement in determining if a supplier’s right to substitute an asset is substantive throughout the period of use when determining whether there is an identified asset.

For more information: IFRIC Agenda Decisions

Summary of key differences between SFRS(I) and IFRS Accounting Standards

With effect from 1 April 2023, the Accounting and Corporate Regulatory Authority (ACRA), the Singapore Accountancy Commission (SAC) and the Accounting Standards Council (the Council) has merged under one entity (ACRA). The merged ACRA will take on SAC's role to develop the accountancy sector. The Accounting Standards Committee (ASC) set up by ACRA will continue to perform the function of making or formulation of accounting standards for companies, charities, co-operative societies and societies in Singapore, in the same way as previously carried out by the Council.

Accounting standards made or formulated or issued (or deemed to be made or formulated or issued) by the Council before 1 April 2023 which have not been revoked before that date continue in force as if made or formulated or issued by the ASC after that date.

In the SFRS(I) Standards, paragraphs with prefix 'IFRS' refer to effective date, transition provisions and/or other text extracted from IFRS Accounting Standards. An entity that is not a first-time adopter shall apply those requirements, if applicable (e.g. a transitioning entity which stated compliance with IFRS Accounting Standards in its most recent previous year financial statements).

Paragraphs that are specific to SFRS(I)s are indicated with a prefix 'SG'.

Below are the key difference between SFRS(I) and IFRS Accounting Standards.

Description	IFRS Accounting Standards	SFRS(I)
Consolidation exemption criteria (parent's reporting framework)	Parent produces consolidated financial statements that comply with IFRS [IFRS 10.4(a)]	Parent produces consolidated financial statements that comply with SFRS(I) or IFRS [SFRS(I) 10.4(a)]

Issue dates by IASB and ASC may also differ, for example (for pronouncements effective from 2023)			**Issue dates**	
Standards	**Pronouncements**	**Effective**	**IFRS Accounting Standards**	**SFRS(I)/SFRS**
IFRS 17	Insurance Contracts	2023	18 May 17	29 Mar 18
IAS 1	Classification of Liabilities as Current or Non-current	2024	23 Jan 20	29 May 20
IFRS 17	Amendments to IFRS 17	2023	25 Jun 20	27 Nov 20
IAS 1	Classification of Liabilities as Current or Non-current—Deferral of Effective Date	-	15 Jul 20	23 Jul 20
IAS 8	Definition of Accounting Estimates	2023	12 Feb 21	7 Jun 21
Practice Statement 2, IAS 1	Disclosure of Accounting Policies	2023	12 Feb 21	7 Jun 21
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023	7 May 21	15 Sep 21
IFRS 17, IFRS 9	Initial Application of IFRS 17 and IFRS 9—Comparative Information	2023	9 Dec 21	14 Dec 21
IFRS 16	Lease Liability in a Sale and Leaseback Amendments to IFRS 16	2024	22 Sep 22	14 Dec 22
IAS 1	Non-current Liabilities with Covenants	2024	31 Oct 22	14 Dec 22
IAS 12	International Tax Reform-Pillar Two Model Rules	2023	23 May 23	23 May 23
IAS 7, IFRS 7	Supplier Finance Arrangements	2024	25 May 23	9 Jun 23
IAS 21	Lack of Exchangeability	2025	15 Aug 23	26 Sep 23

Summary of key differences between FRS and IFRS Accounting Standards

The FRSs and INT FRSs issued by the ASC are largely aligned with the IFRS Accounting Standards and IFRIC Interpretations issued by the IASB and the IFRS Interpretations Committee respectively. Differences in effective dates relating to periods before 2018 are not included here. Below, we identify the key differences between FRS and IAS Standards/IFRS Accounting Standards as at the date of this publication:

Standards	Content	IAS Standards/ IFRS Accounting Standards	Comments
FRS 16	Property, Plant and Equipment	IAS 16	FRS 16 exempts regular revaluation of assets for which any one-off revaluation was performed between 1 January 1984 and 31 December 1996 (both dates inclusive) or for assets that were revalued prior to 1 January 1984. IAS 16 does not give such an exemption.
FRS 27, FRS 28 and FRS 110	Consolidated Financial Statements and Accounting for Investments in Subsidiaries, Associates and Joint Ventures	IAS 27, IAS 28 and IFRS 10	FRS 27 and FRS 110 exempt a parent from presenting consolidated financial statements if its holding company (immediate or ultimate) produces consolidated financial statements available for public use. Under IAS 27 and IFRS 10, such an exemption applies only if the holding company produces consolidated financial statements available for public use that comply with IFRS. Similar differences apply to the exemption from equity accounting for associates and joint ventures in FRS 28, compared to IAS 28.
FRS 102	Share-based Payment	IFRS 2	The cut-off grant date for retrospective treatment of equity-settled share-based payment is 7 November 2002 under IFRS 2 and 22 November 2002 under FRS 102.
-	Members' Shares in Co-operative Entities and Similar Instruments	IFRIC 2	IFRIC 2 is effective for annual periods beginning on or after 1 January 2005. This Interpretation has not been adopted in Singapore.

Section 2: Other financial reporting matters

Other financial reporting matters

This section covers other updates to the financial reporting framework and local regulatory requirements which are relevant to accounting professionals.

Financial Reporting Surveillance Programme (FRSP) Fourth Report

In January 2023, ACRA issued its fourth FRSP report for FS reviewed between 1 April 2020 to 31 March 2022. 23 material non-compliance with accounting standards were found in 12 out of 33 sets of FS reviewed.

Areas of material non-compliance include business valuations, impairment assessments, presentation in cash flow statement, consolidation, and equity accounting.

ACRA reminded that the statutory auditors play an important role in financial reporting, assisting the ACs, CFOs and finance teams by highlighting the accounting and auditing issues early. As companies ramp up their sustainability efforts, attention should also be placed on the accounting implications of climate change.

The FRSP report is available for download at the ACRA's website.

Financial Reporting Practice Guidance No. 1 of 2023: Areas of Review Focus for FY2023 Financial Statements under ACRA's Financial Reporting Surveillance Programme

In November 2023, the ACRA issued Financial Reporting Practice Guidance No. 1 of 2023 to guide directors, especially those in Audit Committees (ACs), in reviewing FS. ACs are advised to pay close attention to these emerging risks and trends.

Areas of review focus for FY2023 include the areas of accounting impact from:

- Macroeconomic uncertainties
  - impairment
  - debt covenants
  - going concern
- Climate change movement
  - expected credit loss
  - impairment
  - green financing
  - provisions
- Geopolitical uncertainties
  - provisions
  - expected credit loss
  - going concern
  - impairment
- Base Erosion and Profit Sharing (BEPS) Pillar Two

Borrowers should anticipate for any potential breaches of covenants at year end and engage with the banks early as it could affect the presentation of their debts.

The Practice Guidance is available for download at the ACRA website.

Intangibles Disclosure Framework (IDF)

With growing importance of intangibles as business value drivers, the IDF is an initiative led by the Intellectual Property Office of Singapore (IPOS) and ACRA that was launched in September 2023 to provide a systematic and consistent way to disclose and communicate intangibles to its stakeholders.

The IDF outlines principles for disclosure and communication of a Company's intangibles such as brand value, patents or registered designs in a systematic and comprehensive way so that stakeholders can make more informed assessments of an enterprise's business and financial prospects.

The voluntary framework is not intended to replace or supersede existing regulatory or accounting requirements and may require disclosure of intangibles beyond those intangible assets recognised under financial reporting standards.

The Company can opt to disclose their intangibles as part of an annual report or in a standalone report. The standalone report should ideally be issued together with financial statements

The IDF is available at the ACRA website.

Recommendations by the Sustainability Reporting Advisory Committee (SRAC)

In July 2023, the ACRA and the SGX RegCo launched a public consultation (from 6 July 2023 to 30 September 2023) on the recommendations by the SRAC on turning climate ambition into action in Singapore. Some key recommendations in the consultation include:

Areas	Proposals
Mandatory climate reporting	• From FY2025 for all Listed Issuers (including those incorporated overseas, business trusts and real estate investment trusts) • From FY2027 for Large Non-Listed Companies (with annual revenue of at least $1 billion) • A review will be conducted in 2027 for Non-Listed Companies (with revenue of at least $100 million) with a view to report by around FY2030
Prescribed standards	• Report using local prescribed standards that are aligned with the ISSB requirements with certain reliefs on complex disclosures
External assurance	• Limited assurance on Greenhouse gas Scope 1 and Scope 2 emissions • From FY2027 for all Listed Issuers • From FY2029 for Large Non-Listed Companies • Assurance can be provided by ACRA-registered audit firms and Testing, Inspection, Certification firms accredited by the Singapore Accreditation Council ("SAC-accredited TIC firms")
Reporting and filing timelines	• Same reporting and filing timelines as financial statements • Same legal requirements as those for financial reporting except for internal controls which is encouraged

Details of the proposals in the public consultation are available at the ACRA website.

Climate Reporting for Listed Companies

SGX RegCo has enhanced the sustainability reporting regime for listed companies by introducing a roadmap for issuers to provide climate-related disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Under the roadmap, climate-related disclosures consistent with the recommendations of the TCFD has been added as a new primary component for issuers' sustainability reports for the financial year commencing on or after January 1, 2022.

For Financial Year commencing between	Climate reporting	Calendar year in which report is published
1 January 2023 and 31 December 2023	Mandatory for issuers in financial industry; agriculture, food and forest products industry; and energy industry. 'Comply or explain' basis for other issuers.	2024
1 January 2024 and 31 December 2024	Mandatory for issuers in financial industry; agriculture, food and forest products industry; energy industry; materials and buildings industry; and transportation industry. 'Comply or explain' basis for other issuers.	2025

The TCFD framework focuses on translating climate-related risks and opportunities into financial impacts by explaining how revenues, expenditures, assets and liabilities, and capital and financing may be affected. As the assessment and disclosure of financial impacts is a key aspect of the TCFD recommendations, it is important for entities to ensure that there is connectivity between the description of financial impacts in TCFD disclosures and what is being reported in the financial statements. In particular, entities should consider whether the degree of emphasis placed on climate-related matters elsewhere in the annual report is consistent with how climate matters have been reflected in the judgements and estimates applied in the financial statements.

The requirements are available at the SGX website.

Regulator's Column: What Singapore Exchange Regulation ("SGX RegCo") expects of disclosures around key financial indicators

In August 2023, SGX RegCo summarised its disclosure expectations relating to financials in a Regulator's Column. Three financial indicators identified in the column were liquidity ratios, non-current trade and other receivables and existence of significant advances or prepayments as they were likeliest to be material enough to warrant investors' concern.

Issued at the same time, the Guidance Note on Financial Statements Disclosures provides guidance on the financial indicators and illustrate examples of some mitigating actions and governance practices applied by various SGX listed issuers.

To ensure more timely disclosures of key information and to minimise regulatory queries, issuers should consider providing more substantive disclosures on a proactive basis.

The Regulator's Column is available at the SGX website and the Guidance Note at Guides.

Regulator's Column: Developing and executing a credible climate transition plan

In September 2023, SGX RegCo highlighted three key elements of developing, executing and disclosing a credible climate transition plan that companies should adopt.

- Comprehensive understanding of material climate-related risks
- Strong governance structures to ensure accountability for resourcing, financing, and executing the transition plan
- Monitoring of actionable, science-based near- and long-term decarbonisation targets

Companies could benefit from a smoother transition to climate reporting and mitigated risks of transition through formulating and implementing a robust climate transition plan.

The Regulator's Column is available at the SGX website.

RAP 7 Reporting Framework for Investment Funds – revised for amended SFRS(I) 1-1 and FRS 1

RAP 7 has been revised in August 2023 to require companies to disclose their material accounting policy information instead of significant accounting policies to align with the terminology used in the amended SFRS(I) 1-1 and FRS 1 *Presentation of Financial Statements*.

RAP 7 is available at the ISCA website.

Financial Reporting Bulletins (FRBs)

FRBs issued by ISCA are informative or educational publications issued to highlight emerging topical issues for consideration by the accountancy profession in Singapore. The following FRBs has been approved for issue by the ISCA Financial Reporting Committee in 2023.

FRB	Description	Issued on
9 (Revised Jan 2023)	Accounting Implications of the Interest Rate Benchmark Reform in Singapore	16 Jan 23
10	Real Property Valuation for Financial Reporting – Fair Value Based on the Highest and Best Use	31 Mar 23

FRB 9 (Revised Jan 2023) Accounting Implications of the Interest Rate Benchmark Reform in Singapore

FRB 9 addresses the accounting implications arising from the interest rate benchmark (IBOR) reform and is intended to assist entities holding financial contracts with reference benchmark interest rates that will be replaced by alternative benchmark rates during the IBOR reform to understand the accounting implications.

The revised FRB 9 has been updated from FRB 9 (revised in February 2022) for the following:

- Additional background information on the MAS Recommended Rate (MRR) and supplementary guidance for active transition of SOR contracts (i.e., supplementary guidance for adjustment spreads between SOR-SORA, which is applicable until 31 December 2024); and

- Updates on accounting considerations on the use of MRR and supplementary guidance in financial contracts and hedge accounting.

The revised FRB 9 is available at the ISCA website.

FRB 10 Real Property Valuation for Financial Reporting – Fair Value Based on the Highest and Best Use

In November 2019, ISCA issued FRG 1 Real Property Valuation for Financial Reporting – Best practices when engaging valuers: Considerations for Scope of Work ('SOW') and Valuation Report ('VR') to facilitate the valuation process amongst the Valuer, Client and Auditor for real property valuation. The FRG highlights key considerations relevant to SFRS(I) 13 when determining the scope of work for valuation of real property interest and deals with the relevant requirements in SFRS(I) 13 about valuation information to be disclosed in the financial statements.

In March 2023, ISCA issued FRB 10 Real Property Valuation for Financial Reporting – Fair Value Based on the Highest and Best Use to explain the concepts of 'fair value' and 'market value', and to highlight that the valuation premise required under SFRS(I) 13 is 'highest and best use'. If a different valuation premise is used in the valuation report, an assessment needs to be undertaken to determine if the resulting valuation is appropriate for financial reporting purposes.

Depending on the outcome of the assessment performed, entities may be required to obtain a new valuation report that is based on the highest and best use valuation premise. It is, therefore, important for entities to communicate to the valuer upfront at the planning phase of the valuation process that the valuation should be performed based on the highest and best use valuation premise. FRB 10 also includes an example to illustrate the application of highest and best use as the valuation premise.

FRB 10 is available at the ISCA website.

Climate Disclosure Guide Volume 2 - First steps in conducting climate-related scenario analysis

In April 2023, a guide on conducting climate-related scenario analysis was issued by ISCA and developed with the support of Singapore Exchange Regulation, Green Finance Industry Taskforce, ISCA's Sustainability and Climate Change Committee (SCCC) and SCCC Sustainability Excellence Sub-Committee.

The publication builds on the ISCA Climate Disclosure Guide – Taking First Steps Towards Climate-related Disclosures issued in 2022 and provides an overview of climate-related scenario analysis and approach to performing the scenario analysis. It also includes common climate-related risks in Singapore's context and learning experiences and insights shared from two companies.

The guide is available at the ISCA website.

ISSB issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosure

In June 2023, the ISSB issued its first two IFRS® Sustainability Disclosure Standards, IFRS S1 and IFRS S2, which are built on the TCFD recommendations. The ISSB does not mandate the application of the standards. Jurisdictional authorities can decide whether to require entities to apply the standards.

In light of the two new IFRS Sustainability Disclosure Standards, the IFRS Foundation has republished its educational material effects of climate-related matters on financial statements to remind stakeholders of the long-standing requirements in IFRS Accounting Standards to report on the effects of climate-related matters in the financial statements when those effects are material. Entities should consider the potential impacts of climate-related matters and make appropriate disclosures in their financial statements where material.

A summary of IFRS S1 and IFRS S2 is available at the iGAAP in Focus newsletter.