

# ISChartered Accountant

September 2017



**HONOURING EXCELLENCE IN CORPORATE GOVERNANCE**

**SECOND QUARTER REPORT  
ON SOUTHEAST ASIA**  
Asia Strengthens While  
Outlook Remains Steady

**THE GREAT  
ECONOMIC INVERSION**  
How Balance Sheets  
Have Been Tipped Upside Down

**KICK BACK  
AND RELAX**  
Holiday Ideas For That  
Well-Deserved Break

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clinched the APEX 2017 Award of  
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# ***PRESIDENT'S MESSAGE***

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## **DRIVEN BY COMMITMENT, OPEN TO OPPORTUNITIES**

### **Dear members,**

Financial advisor, lawyer, historian, accountant and even soothsayer... they are all expected to undertake a myriad of roles in their professional lives. But significantly, accountants are now looked upon for counsel in the more strategic areas of business, over and above their traditional finance functions. This evolution is a positive development and it means that accountants can provide value-added services to the workplace, and I urge members to take advantage of this momentum. Continue to develop yourselves so that when the time is right, you are ready to step up to assume additional responsibilities. This month's cover story features three ISCA members who have moved up the ranks to assume leadership positions, and won recognition for their achievements.

At the Singapore Corporate Awards 2017, Chua Sock Koong received the Best CEO Award. She is the first woman to win this award and the only person to have bagged both the Best CEO and Best CFO Awards in the event's 12-year history. (Ms Chua also took home the Outstanding Professional Accountant Award at the Singapore Accountancy Awards 2016.) Please join me in congratulating Ms Chua and the other two award recipients, Darren Tan, who is now a Council Member of ISCA, and Foo Ai Huey, who each won the Best CFO Award.

We introduced the Member Profile segment two years ago to capture the sharing of experiences

from notable members, with the aim to inspire existing and future members. The segment also broadens awareness of the multiple career paths an ISCA membership offers. In this issue, our award-winning members demonstrate that attitude is as important as aptitude. They show a deep commitment to continuous improvement – not only for themselves, but also for the people they lead. And in this dynamic age, they advocate adaptability, flexibility and open-mindedness towards opportunities emerging from technological disruption and an evolving business environment. Find out what motivates them, and their perspectives on life and work.

Technology will soon be an integral part of our lives as Singapore moves towards being a Smart Nation. According to PM Lee Hsien Loong at this year's National Day Rally, being a Smart Nation means "taking full advantage of IT" to create opportunities, enhance productivity and make life more convenient. The Institute, too, has committed to our own "smart" journey for members and the profession. For some time now, through various ISCA initiatives spanning CPE courses, seminars, e-Services Portal and other resources including this journal, we have shared different ways that members can leverage on IT to work smarter and enhance learning. We have also kept members updated on the potential impact IT has on the profession, and emphasised the need to keep up with

the latest developments. I would like to encourage you to keep on upgrading your know-how and skills. Where necessary, adapt and reinvent yourself so that you can stay relevant and be future-ready.

Our future is shaped in large part by the young people of today. In June, ISCA launched a competition in search of the brightest young accounting professional aged 30 years and below to represent ISCA at the One Young World (OYW) Summit 2017. The competition was intense, attracting a number of highly-qualified young people who impressed the judges with their passion and profiles. Meet the finalists and eventual winner – Muhammad Ashiq Chu. Soon, he will be sharing with us his OYW Summit experiences.

The accounting profession is a demanding one, so be kind to yourself – take time out to rejuvenate and restore for the future. Have a look at our Taking Flight segment which features holiday ideas for destinations near and far – ideal for a well-deserved break. Enjoy!

**Gerard Ee**  
FCA (Singapore)  
president@isca.org.sg



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# IN TUNE

INDUSTRY NEWS



## Only 37% of SME Debts Paid on Time in Q2, the Lowest Level in Two Years

**T**he percentage of SME debts paid on time fell to just 37% in the second quarter of 2017 - the lowest level in two years. This change in SME payment behaviour was revealed in new research released by DP Information Group (DP Info), part of the Experian group of companies.

The research, which analyses the payment patterns of more than 120,000 companies in Singapore during the second quarter of 2017,

found that the proportion of SME debts paid on time fell from 52% in 1Q2017 to 37% in 2Q2017 - a drop of 15 percentage points. This is the lowest level since 2Q2015, when the percentage of on-time payments was 35%.

While the proportion of unpaid debts rose during the quarter, the percentage of severely delinquent debts - those still unpaid 90 days after they fall due - did not change. The percentage of debts unpaid after

90 days remained at 14% in Q2, the same level as in Q1.

DP Info General Manager Sonny Tan said the most likely explanation for the change in payment behaviour is that SMEs are managing their cash flow by prioritising which debts to pay first. They could also be setting aside money for other things, such as "funding growth opportunities in anticipation of greater demand in the second half of the year". The most recent SBF-DP SME Index had revealed that SMEs expect an improvement in their sales in the second half of 2017. They are also keen to pursue business expansion by increasing their market share, targeting new markets or introducing new products and services.

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A majority (73%) of business leader respondents believe in the value of a strong corporate purpose, and only a minority (15%) say their company's main purpose is to maximise shareholder value, according to an EY report, "How can purpose reveal a path through disruption? Mapping the journey from rhetoric to reality".

Based on a survey of 1,470 global leaders representing companies across various industries in developed and emerging markets around the world, the respondents include 500 businesses with annual revenues of US\$2.5 billion or more.

The report revealed that purpose means different things to different companies. When asked to characterise their organisation's purpose, 33% of respondents cited bringing value to customers; 15% of global organisations said boosting their share price, and 11% cited bringing value to their employees, all focusing on a single stakeholder group. Others have a different conception - 40% of respondents said their organisation's purpose is aimed at creating value for multiple stakeholders or offering an aspirational reason for being.

In addition, two-thirds of executives (66%) were profoundly rethinking their organisations' purpose as a result of the disrupted environment, and 52% of those were moving in the direction of this wider concept of purpose. Sixty-eight percent of companies that broadly defined purpose and integrated it into their organisations said purpose gave them the agility to innovate in times of disruption.

## Purpose, Not Profit: Business Leaders' Key to Success amid Turbulent Global Economy

### TANGIBLE BENEFITS

The survey found that 97% of companies that deeply integrated a broader sense of purpose into their DNA reported a good or great deal of incremental value from doing so.

Companies that have deeply embedded an aspirational and human-centric definition of purpose cited specific ways in which embedding their purpose across activities creates value. Fifty-two percent said that it helps build customer loyalty; 51% reported that it preserves brand value and reputation; 42% cited that it helps them attract and retain staff, and 40% attributed the ability to develop new and innovative products to the presence of purpose within their business.

According to Valerie Keller, Global Lead, EY Beacon Institute and EY Global Markets, "Our research shows the real advantages companies gain when going on an authentic purpose journey. The data also busts the myth of purpose versus profit. Seventy-five percent of purposeful companies involved in our survey tell us that the integration of purpose creates value in the short term as well as over the long run. They also report that being purposeful gives them greater agility to innovate in the face of disruption and uncertainty."

### LEADERS NEED TO TURN THEIR PURPOSE RHETORIC INTO BUSINESS REALITY

In order to help businesses understand the pathway to turning the purpose rhetoric into reality, the report identified four steps that can help every organisation reach their purpose goals:

- 1) Clearly articulate a purpose that responds to the needs of their stakeholders and is grounded in what an organisation does;
- 2) Embed purpose into their strategy and operations, and align their decision-making with that purpose;
- 3) Constantly evaluate where they are in their journey and what needs to change;
- 4) Accelerate the journey by placing purpose at the centre of their culture and ensuring it is owned by their people.

"All the disruption geopolitically, economically and technologically is a catalyst for a new evolution in business. Those most able to thrive in this new world are focused on their impact on the humans they touch - the customers, the employees and the wider society," said Ms Keller.





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## Salary Counteroffers Ineffective in Retaining Staff

Counteroffers are still common practice in Singapore companies despite their assumed ineffectiveness in today's competitive employment market, according to independent research commissioned by recruiter Robert Half. An overwhelming majority (96%) of Singapore CFOs extend counteroffers, despite more than half (59%) of the same CFOs saying the employee ended up leaving the company.

Extending counteroffers appears to be common practice here, with some 30% of CFOs applying this practice "often", 42% "sometimes", and 5% "always". Around 18% say they "rarely" make a counteroffer, and merely 5% say they have "never" extended one.

However, further acknowledging the ineffectiveness of counteroffers, 59% of business leaders who have

made a counteroffer indicated that the employee ended up leaving the company - 20% indicated the staff member stayed less than a year, 22% said the employee stayed for over a year, and 9% said they stayed fewer than six months.

"Even though extending a counteroffer can be an immediate reaction to a top employee resigning, offering a financial incentive to remain with the company is just delaying the inevitable as oftentimes, the reason why they want to leave the company goes beyond purely financial reasons," said Matthieu Imbert-Bouchard, Managing Director, Robert Half Singapore. "Even if the counteroffer is accepted, a higher salary does not always equal better performance or stronger loyalty. Employers would be better-placed to withhold a counteroffer and immediately start the hiring process to replace them."

Cultural fit is the main driver for 60% of CFOs who have made a counteroffer as the employee fits in well with the company and team. More than half (59%) cited the desire to retain knowledge within the company as one of the main reasons for making a counteroffer, while 57% pointed to the additional costs related to the hiring, onboarding and the professional development process.

"Not only are counteroffers ineffective in retaining employees for the long term, they can also set a negative precedent for employers as it gives an indication to staff that threatening to resign is a successful way to receive a pay rise, all while creating rumours of favouritism thereby undermining staff morale," explained Mr Imbert-Bouchard, who suggested that a better approach is to have a blanket policy to not extend counteroffers to resigning employees as "it's not an effective nor a cost-saving staff retention measure". A better approach may be for employers to be more proactive in their staff retention initiatives to minimise staff turnover. "Knowing what drives staff members and taking appropriate measures, as well as regularly reviewing salaries, should be key elements of any company's staff retention policy," he added.

The annual study is developed by Robert Half and was conducted in January 2017 by an independent research firm, surveying 100 Chief Financial Officers and Finance Directors in Singapore. This survey is part of the international workplace survey, a questionnaire about job trends, talent management and trends in the workplace.

### What are the main reasons for making a counteroffer?

Employee fits in well with the company and team	60%
Desire to keep knowledge within the company	59%
Additional costs related to the hiring, onboarding and professional development process	57%
Smaller talent pool of skilled finance professionals	42%
Employee turnover negatively affects team morale	21%
Cost to replace a specific skill set would be too high	14%

Source: Independent survey commissioned by Robert Half among 95 Singaporean CFOs (multiple answers allowed)



# Managing Change and Transformation is Key to Sustaining Family Businesses

**T**he second edition of the Family Business Forum titled "Managing Change in Today's Uncertain Environment" brought together diverse family businesses to share experiences in managing transitions, and the importance of reinventing themselves to stay relevant. Organised by the Singapore Business Federation (SBF) on August 1, participants were in unison that they would need to reinvent themselves to continue their legacy.

"Almost every business today faces some form of uncertainty and disruption, be it in the form of new

technologies, dynamic shifts towards digitalisation, or even changes in customer expectations... Companies that do not recognise and respond to change in time will be left behind," said SBF Chairman S.S. Teo in his welcome address. "Alternatively, companies that see disruption as an opportunity can achieve accelerated growth or develop new growth strategies... Family values, culture and traditions are added dimensions that family businesses have to manage in their transformation journey."

Among the key themes that emerged from the plenary discussions

was the importance of embracing change while preserving family values, even as the next generation of successors focuses on the role of technology and innovation to help their businesses transform. Panellists also shared that recruiting talent from outside the family circle is essential to expand and professionalise their businesses.

So while the next generation is in an advantageous position to adopt technology and best practices for change, they also shoulder the responsibility to live up to expectations to inspire staff to transform and lead their businesses into sustainable growth enterprises.







# NATIONAL DAY AWARDS 2017

The Singapore National Day Awards are a means of recognising various forms of merit and service to Singapore. This year, a total of 4,322 individuals in 21 award categories received National Day Honours. ISCA is proud to announce that 45 of our members were conferred awards for their outstanding service and merit to Singapore.

On behalf of the Institute, ISCA President Gerard Ee and the management would like to extend their heartfelt congratulations to our award recipients.

## The Meritorious Service Medal

### MR PHILLIP TAN ENG SEONG

Vice President, National Council of Social Service  
Chairman, Community Chest

## The Public Service Star

### DR ERNEST KAN YAW KIONG *JP, PBM*

Chairman  
Punggol West CCC

### MR ONG YEW HUAT *PBM*

Chairman  
National Heritage Board

### MDM QUEK BIN HWEE *PBM*

President  
Singapore Anti-Narcotics Association Board of Directors

## The Public Administration Medal (Gold)

### DR ANG HAK SENG

Deputy Secretary, Commissioner of Charities  
Executive Director (Registry of Co-operative Societies)  
Ministry of Culture, Community and Youth

## The Public Administration Medal (Silver)

### MS ANNA CHENG SOK ENG

Director  
Internal Audit Department  
Ministry of Defence

### MS JEANNE LIEW

Principal & Chief Executive Officer  
Nanyang Polytechnic

## The Public Administration Medal (Bronze)

### MS LOY WEE ING

Senior Assistant Director (Registry and Procurement)  
Corporate Development Division  
Ministry of Communications and Information

### MR GARY PAN SHAN CHI

Associate Professor of Accounting (Education)  
School of Accountancy  
Singapore Management University

## The Commendation Medal

### MR KOH TECK HUA

Senior Assistant Director Group 2  
Auditor-General's Office

### MDM NG PECK HUI

Assistant Director, Finance  
Curriculum Planning & Development Division 2  
Ministry of Education

### MS CHRISTY CHUNG CHAI FANG

Head  
Office of Internships & Careers  
Ngee Ann Polytechnic

### MS LEE PUAY HOON

Tax Specialist (Accredited)  
Corporate Tax Division  
Inland Revenue Authority of Singapore

### MR TAN KEK ANN

Manager  
Individual Income Tax Division  
Inland Revenue Authority of Singapore

### MS ANGELA LIM SEOW HWEE

Deputy Director  
Finance & Accounting  
Khoo Teck Puat Hospital  
Alexandra Health System

### MDM LOO SWEE CHENG

General Manager  
National Skin Centre  
National Healthcare Group

### MS KOH AH CHIN

Deputy Director (Budget/Expenditure)  
Finance and Procurement  
Corporate Development & Services  
National Parks Board

### MR JAMES FONG LAI CHIN

Senior Assistant Director  
Finance Division  
Sentosa Development Corporation



#### The Public Service Medal

### MR MELVIN TEO TIAN SING

Chairman  
Kampong Kembangan CCMC

### MR R. DHINAKARAN

Vice Chairman  
Hindu Endowments Board

### MR ONG CHAO CHOON

Board Member  
National Environment Agency

#### The Efficiency Medal

### MDM PAULINE HENG WEN ENG

Senior Executive (Internal Audit)  
Group Internal Audit Division  
Singapore Totalisator Board

### MS LYNETTE LIN YUEFANG

Senior Executive, Finance Department  
Corporate Services & Development Division  
National Environment Agency

#### The Long Service Medal

### MRS SHYAMALA KRISHNAMOORTHY

Senior Assistant Director, Group 5  
Auditor-General's Office

### MS LAU SOO CHING

Group Director, Group 1b  
Auditor-General's Office

### MDM EILEEN NG PECK EE

Deputy Director, Group 1a  
Auditor-General's Office

### MDM NG LIP NIN

Group Director, Group 5  
Auditor-General's Office

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Information Systems Audit Department  
Internal Audit Group  
Housing & Development Board

### MDM KHOO HWEE HUANG

Principal Internal Auditor  
Information Systems Audit Department  
Internal Audit Group  
Housing & Development Board

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### MS GOH KAH LENG

Deputy Director, Finance Department  
Monetary Authority of Singapore

# IN TUNE

ISCA NEWS



◀ ▲ Delegate visits to IRAS and ACRA



▲ ISCA CEO Lee Fook Chiew (first from left); TF Intl Chief Executive Benedict Cheong (fifth from right) and ISCA President Gerard Ee (fourth from right) with the Lao delegation

## ISCA-Temasek Foundation International Public Administration Programme in Accountancy

**I**SCA and Temasek Foundation International (TF Intl) hosted 10 senior Lao government officials for a five-day leadership course in Singapore from July 17 to 21.

ISCA is privileged to be given the opportunity to contribute our expertise and experience towards the development of the accountancy sector in Laos. This course is an integral part of the capability-building objective of accountants in Laos, and is in line with the Memorandum of Understanding signed between the Institute and the Lao Chamber of Professional Accountants and Auditors (LCPAA) in October 2016.

This leadership course is a tripartite partnership among ISCA, LCPAA together with the Lao Ministry of Finance, and TF Intl as the supporting partner.

The improvement in the quality of financial reporting in Laos will increase the credibility of financial information for investors, and would contribute significantly to economic growth. A

stable economy with a foundation of a good and robust financial system will also enable the Lao government to attract quality investments.

Against this backdrop, the leadership course covered modules such as Principles of Accounting, Corporate Governance, Tax Mechanism and Public Sector Financial Management. There were also visits to Inland Revenue Authority of Singapore (IRAS) and Accounting and Corporate Regulatory Authority (ACRA) to understand the taxation mechanism and regulatory instruments in promoting audit quality respectively.

TF Intl places strong focus on outcomes with multiplier effect, through the transfer of learning by leaders and trainers to their peers, to bring about sustained improvements in their communities. Hence, the programme heralds the start of more to come in the near future, where the leaders will then transfer what they have learnt and experienced here to their colleagues back in Laos.

### WHAT PARTICIPANTS SAY ...

“First of all, I would like to thank ISCA so much for organising this excellent training. The trainers’ sharing was candid and I learnt about the importance of public policy and Singapore’s tax policies. This spurs Laos to improve our accounting standards and legal framework in order to collect tax effectively.”

MS BOUNSAVANH VILAYSONE,  
Deputy of Division, Tax Department,  
Lao Ministry of Finance

“We would like to thank ISCA’s team as well as Temasek Foundation International for organising the fruitful leadership training. The course and visits to IRAS and ACRA provided us insights on the importance of having the involvement of different stakeholders for sustainable development. We look forward to adapting Singapore’s philosophies and best practices to the Lao context so as to strengthen our legal framework and public financial management to further improve the lives of the Lao people. It will also facilitate regional integration with ASEAN member states.”

DR PHIRANY PHISSAMAY,  
Deputy Director-General, Accounting  
Department, Lao Ministry of Finance



# Get Closer | Get Connected

## Get Closer Get Clarity

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## ISCA Sustainability Reporting Roundtable for CFOs

**T**he Institute held the “ISCA Sustainability Reporting (SR) Roundtable: Chief Financial Officers for SR” on July 28, bringing together a diverse mix of organisations at different phases of SR implementation. Some organisations have implemented SR for many years, some have a couple of years of experience,

while others have just embarked on their SR journey.

The participants, who included representatives from Baker Technology Limited, City Developments Limited, DBS Bank Ltd, Low Keng Huat (Singapore) Limited, Maritime and Port Authority of Singapore and SP Corporation Limited, discussed the role played by CFOs in

▲ (From left) Lee Hui Gek, CFO, SP Corporation Limited; Tan Sze Yen, Senior Vice President Group Accounting Policy, DBS Bank Ltd; Esther An, Chief Sustainability Officer, City Development Limited; Tan Kiang Kerng, CFO, Baker Technology Limited; Lim Ju May, Deputy Director, Corporate Reporting & Ethics (CoRE), ISCA, and Kevin Yong, Senior Manager, CoRE, ISCA

spearheading/driving SR.

The roundtable was a platform for the dynamic exchange of perspectives among participants, where those with more SR experience shared pointers on how they successfully implemented SR within their organisations, thus creating value for both their organisations and themselves.

## ASC-ISCA Roundtable on IASB's Discussion Paper: Principles of Disclosure

**T**he objective of financial reporting is to provide financial information that is useful to investors in making decisions. It is thus important that such information is effectively communicated.

At present, valuable information is often hidden due to “boiler-plate” disclosures; also, financial information is often poorly presented. This makes it difficult and time-consuming for investors to identify the most useful information amid all the information disclosed.

The Principles of Disclosures project was initiated by IASB to identify disclosure issues and develop new or clarify existing disclosure principles. IASB issued a Discussion Paper (DP)

in March 2017 to seek stakeholder views on these disclosure issues and approaches to address them.

On July 24, ISCA jointly held a roundtable with the Accounting Standards Council (ASC) to solicit feedback for this DP. Participants, including preparers, users, auditors, the regulator and academia, had a lively discussion on existing disclosure issues and various approaches proposed in the DP.

An interesting comment centred on the “ability” of financial statements to tell a “complete story” - an approach that is ideal in theory but may not be feasible in practice due to resource constraints and the need for timely



and effective communication of financial information. Participants' feedback will be considered for inclusion in the Institute's comment letter to IASB.



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# IN TUNE

ISCA NEWS



Enthusiastic participants posing with speaker Sarjit Singh as he received a token of appreciation

## ISCA BREAKFAST TALK

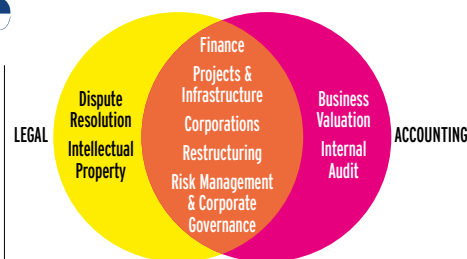
# The Future Economy: Preparing Accountants in the Global Game of Change

**T**he Committee on the Future Economy (CFE) was convened in 2016 to review Singapore's economic strategies. The report, which was submitted in early 2017, contained a number of recommendations for the legal and accounting services sectors.

Ardent Associates Executive Chairman Sarjit Singh, who served on the CFE legal and accounting services working group, brought his deep knowledge of the recommendations to the ISCA Breakfast Talk on August 17. During the interactive session with over 80 participants, he

reinforced how accountants contribute to Singapore's vision to be a trusted global exchange for financing, brokering, structuring, and dispute resolution for international transactions. He then shared nine high-growth areas which would help drive demand for Singapore's legal and accounting services, with emphasis on business valuation and internal audit.

Mr Singh also said that in addition to the core attributes that accountants possess, clients would value skill sets such as multi-jurisdictional capabilities, strong industry knowledge, and the ability



Nine high-growth practice areas for the region which can help drive demand for Singapore's legal and accounting services

to anticipate new trends and provide integrated cost-effective solutions. More information on the session can be found at <https://www.isca.org.sg/documents/bt1708>.



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# IN TUNE

ISCA NEWS



## Digging Deeper into Tax for Members

Bringing greater clarity to not just accredited tax professionals but also to chartered accountants was the thrust of the Singapore Institute of Accredited Tax Professionals (SIATP)'s activities in recent months. The series on the Inland Revenue Authority of Singapore (IRAS)'s e-Tax guides again attracted a capacity crowd. This time, the focus was on the Total Assets Method e-Tax guide. The compact 1.5-hour event provided SIATP and ISCA members with a deeper understanding

of IRAS' perspectives on the topic; it was also the perfect opportunity to clarify any doubts with IRAS officers.

Separately, in the first collaboration of its kind between SIATP and ISCA, members from both bodies had the opportunity to explore the region's tax developments with Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner at Deloitte Singapore. The discussion, which spanned an array of tax issues and included valuable insights from Mr Solapurkar, resulted in an extended session that provided

▲ **Accredited Tax Advisor (Income Tax)**  
Rohan Solapurkar dissected key tax issues and provided updates on the current tax landscape



▲ **IRAS officers answered participants' questions about Total Assets Method e-Tax guide after the session ended**

participants with enriching perspectives and interesting takeaways of the region's tax developments.

To participate in future sessions, please email [enquiry@siatp.org.sg](mailto:enquiry@siatp.org.sg).

### ISCA CALENDAR OF EVENTS 2017

#### SEPTEMBER

Wednesday	<b>ISCA Breakfast Talk</b>
<b>13</b>	<i>Beyond the Numbers - Your Role in Crisis Management</i>
Wednesday	<b>Career Pathways Talk</b>
<b>13</b>	<i>Hear first-hand accounts from featured professionals on the career journeys they have taken</i>
Monday	<b>ISCA Sustainability Reporting Seminar</b>
<b>18</b>	<i>The "How to" of implementing SGX Sustainability Reporting Guide</i>

#### UPCOMING

October	<b>ISCA Breakfast Talk</b>
<b>11</b>	<i>Stay tuned for more details!</i>
October	<b>ISCA Mingles</b>
<b>12</b>	<i>Watch Appreciation with a Swirl of Whiskey</i>

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# SINGAPORE CORPORATE AWARDS

## ISCA Members Feted at Awards Ceremony

BY  
WANDA TAN, ASHUTOSH RAVIKRISHNAN  
AND KOH YUEN LIN



he cream of the crop in local corporate governance was honoured yet again at this year's Singapore Corporate Awards (SCA) 2017. The event was held on July 18 at Resorts World Convention Centre. First launched in 2005, SCA recognises SGX-listed companies

and individuals who have shown excellence in raising Singapore's corporate disclosure standards and corporate governance. It is organised annually by ISCA, Singapore Institute of Directors and *The Business Times*, with the support of the Accounting and Corporate Regulatory Authority and Singapore Exchange (SGX).

A total of 30 companies, ranging from small caps (market capitalisation below S\$300 million) to large caps (market capitalisation of S\$1 billion and above), received awards for Best Managed Board, Best Investor Relations and Best Annual Report while a Special Recognition Award went to Singapore Telecommunications Ltd (Singtel) for its board diversity.

Having swept all three Best Chief Financial Officer Awards (across the small, mid and big cap categories) in 2016, ISCA members were back in the limelight this year. Individual honours for Best Chief Financial Officer (CFO) and Best Chief Executive Officer (CEO) were given to six recipients – three of whom are ISCA members.

Singtel's Chua Sock Koong was named Best CEO (big cap category). She is the first woman to receive the accolade as well as the first person to have won both the Best CEO and Best CFO Awards in SCA's 12-year history. Last year, Ms Chua also received the Outstanding Professional Accountant Award at the Singapore Accountancy Awards 2016.

Two other notable ISCA members lauded at SCA 2017 were Darren Tan of Oversea-Chinese Banking Corporation Ltd (OCBC Bank) and Foo Ai Huey of Centurion Corporation Ltd. They clinched the Best CFO Award in the big cap and small cap categories, respectively.

What are the secrets of their success? Find out in the following pages as our award-winning ISCA members share their inspirations and motivations.



**BEST CHIEF EXECUTIVE OFFICER AWARD  
(BIG CAP CATEGORY)**

**Chua Sock Koong**  
Group CEO, Singtel Ltd

# RATE AWARDS 2017



**BEST CHIEF FINANCIAL OFFICER AWARD  
(BIG CAP CATEGORY)**

**Darren Tan**  
CFO, OCBC Bank Ltd



**BEST CHIEF FINANCIAL OFFICER AWARD  
(SMALL CAP CATEGORY)**

**Foo Ai Huey**  
CFO, Centurion Corporation Ltd



# WHEN CHANGE COMES CALLING

**Chua Sock Koong , FCA (Singapore), Group CEO, Singtel**

Chua Sock Koong is keenly aware of the weight of her responsibilities as the head of one of Asia's largest telecommunications groups. "Knowing that Singtel plays a critical role in connecting 655 million mobile customers across the world is one of the things that gets me out of bed every day," she tells the *IS Chartered Accountant* journal. Another, she adds, is "the excitement about the possibilities that our increasingly digital world offers" – and the role Singtel plays in empowering people to embrace technologies of tomorrow.

"The advent of the Internet of Things, smart cities and 5G means that the info-communications (infocomms) business has never been more exciting," says the 59-year-old, who serves as Group CEO of Singtel. Some might be daunted by the dizzying speed of change that characterises life today, but Ms Chua is not one of them. "My experiences have taught me that change isn't something to be feared. It is necessary if one is serious about progress," she explains.

Under Ms Chua's leadership, Singtel has successfully navigated today's fast-changing infocomms landscape and become a regional telco, with operations and investments in 23 countries. Singtel's diversification is not just geographic, it extends to its business lines as

well. No longer just a telco, Singtel now has investments in cloud and cyber security, digital marketing and analytics. These efforts to take the Group to its next phase of growth helped Ms Chua to clinch the Best CEO Award (big cap category\*) at the Singapore Corporate Awards 2017.

## TRANSFORMATIONS ABOUND

Change is something Ms Chua learnt to embrace early in her 28-year career in Singapore's telecom industry. As soon as she joined in 1989, Ms Chua was tasked to lead the corporatisation of the then-Telecommunication Authority of Singapore (TAS), a statutory board responsible for the Republic's telecommunications services. "Back then, it felt as if I had been plunged into the deep end, but looking back, those early years were character-building ones," she recalls. The project involved working with the government on a framework to set up an independent regulatory body and two separate operating companies – Singtel and SingPost – as well as implementing the transfer of staff and assets while also preparing staff for future competition.

In 1993, Ms Chua was involved in Singtel's initial public offering (IPO), when 11% of the company's shares were traded for the first time on the

local bourse. "It was a groundbreaking exercise that was extremely successful – 90% of eligible Singaporeans became our shareholders," says Ms Chua, pointing out that the IPO made Singtel the largest company listed on the then-Stock Exchange of Singapore (now known as the Singapore Exchange or SGX).

Change came knocking once again when the government decided to liberalise the telecom sector in 1996, ending Singtel's monopoly of the market. "When (we heard the news), we thought Singtel was ready for it. After all, we were the incumbent player," Ms Chua says. But reality was to be different. Just one month after its debut in April 1997, M1 grabbed some 10% of mobile market share. "It was a good wake-up call and we fought to keep our market share. Since then, we've never taken our incumbency for granted."



**"My experiences have taught me that change isn't something to be feared. It is necessary if one is serious about progress."**

\*The big cap category is open to SGX-listed companies with \$1 billion and above in market capitalisation.



## THE LEARNING NEVER STOPS

It was not just the company and the market that changed over the years – Ms Chua’s professional roles did as well. Having joined Singtel as Treasurer, she assumed the role of Group CFO in 1999. She shone in this role, sweeping up numerous awards and accolades during her seven-year stint.

What were the keys to her success? “My accountancy background gave me a solid foundation to understand business, appreciate the science of finance and the risk-reward trade-offs involved in managing businesses well,” shares Ms Chua, who holds a Bachelor of Accountancy degree from the then-University of Singapore. Another factor was her ISCA membership, which kept her abreast of the latest developments in accounting-related technical standards, issues and perspectives. “These helped me to stay ahead of the changing expectations of businesses, investors and stakeholders.”


Ms Chua considers her CFO role as a “training ground” that prepared her for her current position as Group CEO. “It gave me a solid understanding of the basics of the business. I also had insights into the changing telecom landscape.” But succeeding as a CFO does not guarantee

### Career Milestones

1989	Treasurer, Singtel
1999	Group CFO, Singtel
2006	Group CFO and CEO, International, Singtel
2006	Deputy Group CEO, Singtel
2007	Group CEO, Singtel







that one will be an effective CEO as both play very different roles in a company. The roles also require different skill sets. "The role of a CEO is more expansive, so CFOs aspiring to take on the top role should welcome additional responsibilities in areas that may not be directly related to finance, like legal matters and strategic planning," Ms Chua says, stressing that these are key to a deeper understanding of the business.

#### **TAKING ON TECH**

Ms Chua was subsequently appointed Group CEO of Singtel in 2007. In her current role, she is focused on keeping Singtel relevant and ahead of the curve instead of being a company that merely reacts to change. "We ask ourselves how we should innovate our core businesses, create sustainable new digital ventures and navigate our transition into the digital economy," she says.

Singtel has taken calculated risks in an effort to create long-term growth. "We invested in regional telcos in India and Australia in spite of challenging conditions. Back then, naysayers said we would fail because we had zero experience in operating overseas, but

we took the plunge anyway," recalls Ms Chua. Those ventures have paid off. Today, Singtel's overseas operations account for about 70% of the Group's earnings. It was not just Singtel's regional expansion that attracted cynicism. Plans to invest in nascent technologies like digital marketing and cybersecurity were also criticised, but as Ms Chua points out, these ventures now contribute more than 9% to the Group's revenue.

Some of the telco's ventures have been successful, some have not achieved their objectives. Ms Chua, however, chooses to believe that being open to failure means being open to opportunity. "We certainly made mistakes on some deals. But the experience taught us how to better evaluate our investments, work with partners and set up proper processes," she explains. "They also honed our cultural sensitivities as we bought into more businesses overseas."

Although embracing change has helped Singtel to remain relevant, Ms Chua says it is important to help staff manage the level of change. To do this, the corporate culture at Singtel does not shun or reject change. Instead, it nurtures staff to be nimble and take risks – traits that are even more valuable today, given the rapid pace of disruption. "Teamwork is important for this, as the sum is greater than the parts," she explains. "We need to field the best team possible as we tackle future challenges."

This sums up Ms Chua's approach to leadership – to nurture people to be the best that they can be, instead of accepting them as what they are. "A good leader is like a good coach," she says. "(We have to) play to each person's strengths, then we can bring out the best in everyone."

★  
**"My accountancy background gave me a solid foundation to understand business, appreciate the science of finance and the risk-reward trade-offs involved in managing businesses well."**

# BEYOND NUMBERS

**Darren Tan, FCA (Singapore),  
CFO, OCBC Bank**

You could say 41 is a comparatively young age to be appointed as a chief financial officer, what more at OCBC Bank, Singapore's longest-established bank and the second-largest financial services group in Southeast Asia by assets.

It certainly was a big challenge for Darren Tan. "The six months understudying my predecessor (Soon Tit Koon, who had been in the financial sector for 28 years before retiring) was difficult, as I was moving from an area of expertise that I was comfortable in – as Head of Asset Liability Management in Global Treasury – to totally unfamiliar ground," he recalls.

By all accounts, Mr Tan, now 46, is understating the size of the challenge he faced then, when he stepped into the role in 2011. It was when the financial sector was under fierce scrutiny following the Lehman Brothers' collapse three years previously. His family saw less of him as he put in longer hours to get up to speed. "The first six months in the position were even tougher (than the six months understudying Mr Soon)," says Mr Tan. "How do you step into the shoes of a well-respected veteran? How do you walk and talk like a CFO? How do you (take on) the gravitas of a leader?"

He tried emulating the ways of his predecessor. But after half a year, Mr Tan decided he would not model himself after someone else.

"I realised that I have to be myself." That mindset enabled him to confidently apply his background experience as Portfolio Manager of Government of Singapore Investment Corporation (GIC) to his new role, injecting youthful agility to the Finance department and putting an emphasis on developing the value-add aspects of the team's work in steering the organisation's growth.

Today, with six years of experience in his role, Mr Tan was named Best CFO (big cap category\*) at Singapore Corporate Awards 2017.

## A CAREER OF UNEXPECTED TURNS

A Science student, Mr Tan turned down a place in the School of Electrical and Electronic Engineering at Nanyang Technological University (NTU). He opted instead for Accountancy at NTU, where he graduated with First Class Honours. "I studied Accountancy for practical reasons; I couldn't wait to go out to work and this was a professional degree with direct honours that took only three years," he explains.

However, Mr Tan made a deliberate decision to avoid the common practice of starting an accountancy career as an auditor or accountant. "My experience as a CFO is quite different as I first started out as a portfolio manager,"

\*The big cap category is open to SGX-listed companies with S\$1 billion and above in market capitalisation.

he says. Finance and accounting are two halves of the financial book. "Accounting is more focused on the past and finance is more focused on the future. I preferred to do something that can impact future outcomes," he explains. Upon graduation, he joined GIC as Portfolio Manager, trading first in foreign exchange, then moving to other aspects of GIC investments such as bonds and commodities. "I was very much the macro guy taking positions according to trends and analyses," says Mr Tan, whose last position at GIC was Head of Money Markets.

The role allowed him an easy transition when he joined OCBC Bank as Head of Asset Liability Management, Global Treasury, in 2007. Then came the financial meltdown in 2008. "I was close to being in the hottest seat!" he recalls with a laugh. But if there is anything Mr Tan has in abundance, it is grit. "Perhaps it was how I managed to pull through the difficult period that got the attention of the management or Board of Directors." So it was no surprise when David Conner, then the CEO of OCBC Bank, approached him with the proposition of stepping into the role of CFO.

## WORKING "SMART"

Of the Best CFO Award, Mr Tan says it is "an affirmation of not just the external work that has been reported, but also the invisible, internal

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**"(Accountants) should be able to highlight strange phenomena, and spot abnormalities. Moving away from the past into the future – that is how I think the accounting profession should evolve."**





aspects of what my team is striving to achieve". He is, he emphasises, "simply a representative of the team". This internal aspect refers to what he has coined as "S.M.A.R.T." finance – thinking strategically (S), mining data and information for insights (M), analysing and advising business partners (A), facilitating resources allocation (R) and grooming talent (T).

"This is the vision I have for every member in OCBC Bank's Finance department, and what it translates to, is an innate inquisitiveness about everything," he explains. "Always ask why. Why are we producing this report? Why are we doing things a certain way? Why have you generated a certain number? I encourage them to look beyond numbers and be passionately curious. The story behind the numbers is a lot more important."

He goes on to say that the usual way of managing a bank has evolved after the 2008 financial crisis, and it is evolving into "one where you have to be very mindful of how every single dollar is used". As such, "accountants can no longer say, 'Oh, this is none of my business, I am just producing a number.' They should be able to highlight strange phenomena, and spot abnormalities. Moving away from the past into the future – that is how I think the accounting profession should evolve," he explains.

"Thus, we are emphasising on developing talent who can value-add. Beyond reporting figures, the Finance department should also be instrumental in steering an organisation in the right direction for business development," says Mr Tan. This is the same approach he takes for his role as CFO. "There has been on-going discussion about the CFO playing the role of strategic partner to the CEO, and that is certainly how I see it. The CFO should be able to



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**“There has been on-going discussion about the CFO playing the role of strategic partner to the CEO, and that is certainly how I see it. The CFO should be able to lend insight to strategise, analyse, and decide the direction for the company – at least on the macro level.”**

lend insight to strategise, analyse, and decide the direction for the company – at least on the macro level.”

#### **A HUNGER FOR BETTERMENT**

If there is anything Mr Tan’s work and career has demonstrated to young accountants, it is that accountancy is a skill that offers more than a single career path. “ISCA has put a lot of thought on how they want to lead the profession, and it is a full spectrum. They are making existing members relevant to the market through continuing education. They are also influencing education at the university level so that new graduates are equipped with the right skills for

an easy assimilation into the working environment. There is continual effort in making the industry relevant to the larger ecosystem of the business world. ‘Relevance’ is really the key word here,” shares the newly-inducted ISCA Council member. “The recent affiliation with *ASEAN CPA* also means that ISCA members will be qualified to practise within the region,” he enthuses.

Yet, even with the road paved, it takes personal drive for an individual to walk down a route. In Mr Tan’s opinion, the desire to improve and to learn and do more, is what will take someone far. To that end, Mr Tan has introduced lunchtime workshops for the entire Finance department. Experts dispense insights on topics ranging from the latest changes in the technology space to deportment. He did not imagine that the turnout would be very high, but each session has seen about 150 people from their 200-strong department turning up. “It is difficult to find time to learn new things, so I do my part in giving my team members an easy opportunity through these sessions. It is important to expand one’s horizons beyond that of work, because the best ideas often don’t come at the desk.”

Outside of work, he is an enthusiastic sportsman who runs, cycles and plays soccer. “There was a time when I felt that a weekend without a game of soccer was a weekend wasted,” he quips. He is also an avid reader. “The best way to learn and improve yourself is to learn either from others or read a lot – or do both.” His reading choices are hugely varied, and he finds inspiration even in books for children. From a book he bought for his children years ago, he shares the story of an eagle chick born from an egg that was hatched by a hen. The bird never realised its potential as an eagle, for it only saw itself as a chicken. “You are what you believe you are,” he concludes.

#### **Career Milestones**

<b>1994</b>	Bachelor of Accountancy (First Class Honours), NTU
<b>1994</b>	Portfolio Manager, GIC
<b>2001</b>	Head of Money Markets, GIC
<b>2007</b>	Head of Asset Liability Management, Global Treasury, OCBC Bank
<b>May-Nov 2011</b>	Deputy CFO, OCBC Bank
<b>Dec 2011</b>	CFO, OCBC Bank

# CORE VALUES

## Foo Ai Huey, CA (Singapore), CFO, Centurion Corporation

Integrity. Strategic thinking. Open-mindedness. Having the guts to stand your ground. These are the tenets that Foo Ai Huey adheres to as CFO of Centurion Corporation Ltd. "They are close to my heart and are what I believe to be the key values a good CFO should have," says the recipient of the Best CFO Award (small cap category\*) at the recent Singapore Corporate Awards 2017.

"A reliable CFO should have a strong ethical foundation and have the integrity to play the role of financial steward and gatekeeper." Ms Foo elaborates, "At the same time, the CFO should also leverage the financial perspectives he or she has. Partnering the CEO and COO, the CFO should play a strategic role in setting the vision and direction to drive growth for the company."

For Ms Foo, being open-minded means being able to adapt to changes, be they within the organisation or industry – an especially salient point given the accelerated speed at which everything moves today. But being adaptable and flexible doesn't mean simply going with the flow. It is Ms Foo's belief that it is "also important for a CFO to take a stand and say 'no' to practices and issues with risks beyond that which the company can bear".

### WOMAN OF STEEL

It takes guts to step up and do the right thing, and indeed, under

the gentle demeanour, Ms Foo is a woman with an iron will. She joined Centurion Corporation in 2000 as Finance Manager, and since then, has seen the Group through some tough times. "The company was not doing very well when our optical disc manufacturing business dipped; the technology was phased out to make way for smart devices and Internet downloading," she recalls. At that point, she received a few job offers from other companies.

"However, the management had always functioned well as a team and I believed that it was right to stay on and see the company through difficult times. And it wasn't just the management team, but also a responsibility I had to my staff."

Her loyalty and perseverance was rewarded when in August 2011, she was appointed the Group's CFO. Centurion Corporation had, at that point, made a rebound through diversifying its principal business activities into the accommodation business. However, it doesn't mean Ms Foo's job has gotten any easier.

"My job is to also always look out for possible challenges and disruptions ahead. For example, when Brexit happened and the British Pound depreciated by 15%, despite our hedging, we were also impacted, (Centurion Corp's portfolio

includes student accommodations in the United Kingdom)," she says.

"I have to think of strategies to manage and mitigate risks. In fact, when venturing into any new acquisition, we always go in with a long-term vision to sustain and enhance business performance."

### A WORLD OF OPPORTUNITIES

With the company's expanding portfolio, Ms Foo is in a position to be able to continue widening her horizons – the reason why, since her teenage years, she had wanted to be an accountant. "I have always been interested in business since young. When I was 15, a shrewd elder cousin encouraged me to study accountancy, saying that it is an excellent platform for getting insights into business operations," she recounts. "I figured (then) that since I am good at analysing numbers and work systematically, accountancy would be a suitable career for me." Her focus has never wavered since.



**"To be a good accountant, you need to understand every aspect of business operations – from marketing to logistics, from R&D to IT."**

\*The small cap category is open to SGX-listed companies with less than S\$300 million in market capitalisation.









**The key to getting the most out of any career is to have a thirst for knowledge. Her advice is to “try as many things as you deem possible, but (also to) spend some years concretely learning as much as you can from one single job”.**

After graduating from University of Newcastle, Australia with a Bachelor of Commerce degree, Ms Foo joined a local listed company as Internal Auditor. She then went on to become Senior Accountant at MOH Holdings Pte Ltd (formerly known as Health Corporation of Singapore Pte Ltd). In the decades of working as an accountant, what Ms Foo had learnt way surpassed the mere reporting of numbers. “From learning about internal audit in my first job to working on various policies for restructured hospitals in my days at Health Corporation; from dealing with taxation to regulatory compliance, my work has truly given me a very holistic view of business operations in many different sectors, spanning healthcare to manufacturing and now accommodation,” she reflects.

#### Career Milestones

1992	Bachelor of Commerce, University of Newcastle, Australia
1992	Senior Executive Officer, Singapore Reinsurance Corporation
1996	Senior Accountant, MOH Holdings (formerly Health Corporation of Singapore)
2000	Finance Manager, Centurion Corporation
2011	CFO, Centurion Corporation

What does it take to be a good accountant? “You need to understand every aspect of business operations – from marketing to logistics, from R&D to IT,” says Ms Foo, an ISCA member. “I liken the accounts department to the heart of any company – it is that which connects to every aspect of the organisation.”

The key to getting the most out of any career is to have a thirst for knowledge. Her advice is to “try as many things as you deem possible, but (also to) spend some years concretely learning as much as you can from one single job”. Many youngsters job-hop, eager to move for a new title or a pay raise. “But I feel it is good to stay at a place for at least two or three years before making another career move. That is the way to gain more in-depth knowledge from a job, or a mentor.”

Her own career progression has been gradual and organic, and she never once imagined that she would be where she is today. “I am a very contented person,” she says with a gentle smile. “When I was offered the CFO position six years ago, I wasn’t really sure if I was up for it. The CFO shoulders a lot of responsibilities and it takes not just a lot of knowledge but courage and sensitivity to navigate through the job.”

Another concern was the family time she had to give up. “However, my husband was very supportive, so I went for it.” No less dedicated to her work, Ms Foo has welcomed another passion in her life. “I have a two-year-old daughter,” she shares. “I spend most of my time after work with her. I do have a lot of different passions and interests, but those will have to be put on hold for now.”

“That said, I would really like to contribute back to society.” Centurion Corporation, she discloses, is also in the infancy stages of implementing a Corporate Social Responsibility programme. ISCA

Wanda Tan, Ashutosh Ravikrishnan and Koh Yuen Lin are contributing writers.





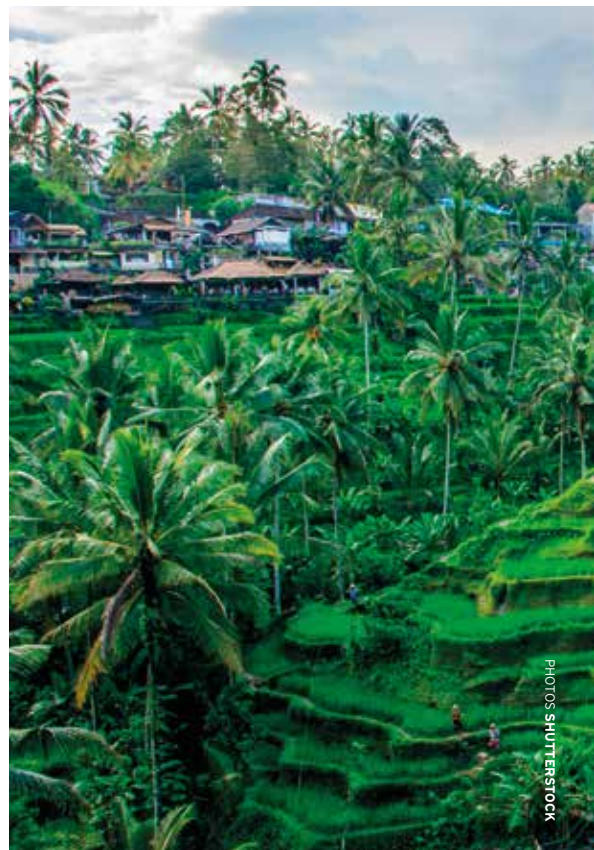
# KICK BACK AND RELAX

Holiday Ideas for that Well-deserved Break

**D**oes rushing from one tourist attraction to another when on a holiday sound like fun to you? Trying to stick to a jam-packed itinerary – coupled with frenzied sightseeing – might just leave you feeling more exhausted after the vacation than you were before it. Instead, consider a rejuvenating trip where you can relax, rest and recharge.

Take your pick from these travel ideas, from restorative yoga retreats with stunning views to glamping trips that give you the fun of camping without the hassle of roughing it out. There are the pricier options to go all out as well as the more affordable suggestions that won't break the bank, so travellers with different budgets can surely find something from the list.

\*Flight costs are average figures from [www.farecompare.com](http://www.farecompare.com)



PHOTOS SHUTTERSTOCK





Umbria, Italy



Ubud, Bali, Indonesia

## 1 GO WITH THE FLOW

Slow down and practise mindfulness with a yoga retreat. Besides perfecting your Downward Dog and Cobra poses, you are provided with an opportunity to connect with like-minded people and get your body, mind and soul in harmony.

### **SPLURGE** Umbria, Italy

Located in central Italy, Umbria is also known as the country's green heart. The region is steeped in history and features medieval towns, beautiful hills and wildflower meadows. Luxurious yoga retreats are organised by experienced teachers Jim Tarran and Khadine Morcom in the Umbrian countryside. The venue, **Locanda Del Gallo**, is a beautifully-restored 12<sup>th</sup>-century farmhouse, and its grounds are perfect for strolling through olive groves, inhaling the scent of wild herbs and idling under the shade of old elm trees. This deluxe option comes with an on-site spa that has an oil-infused rain shower and lounge area with heated stone slabs. You can also venture on a day excursion to Lake Trasimeno where you can take a boat ride as well as drop by Cascade delle Marmore, the tallest waterfalls built by ancient Romans at over 160 metres.

- + Singapore to Rome: Approx. S\$800
- + Two-hour drive from Rome to Umbria: Approx. US\$95 (S\$130); book with [www.viator.com](http://www.viator.com)
- + Yoga Explorers offers a seven-day package, inclusive of accommodation and meals, starting from £925 (approx. \$1,480)
- + [www.yogaexplorers.com](http://www.yogaexplorers.com)
- + Best time to visit: May-June, September-October

### **SAVE** Bali, Indonesia

In Elizabeth Gilbert's best-selling book *Eat, Pray, Love*, she described the town of **Ubud** in Bali as a healing place that is ideal for reclaiming one's sense of self. It is no wonder that yoga studios and centres can be found around the town, calling out to those seeking self-reflection and calmness. There are classes for people of varying proficiency, from beginners to seasoned yogis. The myriad options also mean you get to hold your yoga poses against various enchanting backdrops, such as against an orange-crimson sunset, crashing waves on the beach, or vast terraced green rice fields.

- + Singapore to Bali: Approx. S\$200
- + The Yoga Barn holds classes daily and prices start from Rupiah130,000 (approx. S\$13) per class
- + [www.theyogabarn.com](http://www.theyogabarn.com)
- + Best time to visit: May-August



## 2 BIG ON BEACHES

Trade your office armchair for a beach deckchair and get your escape from fast-paced city life with a beach holiday.

### SPLURGE Cape Town, South Africa

**Boulders Beach** near Simon's Town is one of the most-visited beaches in Cape Town. Imposing granite boulders, crystal-clear waters and soft white sandy coves are highlights of the landscape, but the key crowd-pullers are undoubtedly the African penguins, which are also known as "jackass penguins" because of their distinctive braying. While patting the penguins is not advisable, you will still have the chance to get up close as they waddle around the coast freely. You can spend your time watching them belly-flop into the water or spotting marmots, a type of large squirrels, sunbathing at the beach.

Spend a night at **The Last Word Long Beach**, a charming boutique hotel situated along the picturesque seaside village of Kommetjie. The hotel is the winner of South Africa's Leading Beach Hotel at the World Travel Awards 2014 and 2015. At your private patio, you can enjoy spectacular views of the white-capped waters of Long Beach at your doorstep. Finding your way to attractions like the Cape Point Nature Reserve for whale-watching will also be a breeze with the in-house chauffeur.

- + Singapore to Cape Town: Approx. S\$1,000
- + A night's stay at The Last Word Long Beach is about ZAR3,780 (approx. S\$390)
- + [www.thelastword.co.za](http://www.thelastword.co.za)
- + Best time to visit: January-April

### SAVE Palawan, Philippines

The Philippines is a short flight away from Singapore, making it an ideal destination for a tropical getaway. Travellers can take their pick from a long list of beaches available at the archipelago, which comprises more than 7,000 islands. The popular **El Nido** beach can be found in Palawan, the least developed province that is dubbed



Boulders Beach, Cape Town, South Africa



El Nido Beach, Palawan, Philippines

"the last frontier" of the Philippines. El Nido has snagged the 14<sup>th</sup> spot in CNN's list of "100 best beaches around the world", thanks to its pristine white sand, emerald waters and a rich biodiversity of more than 50 species of coral.

For a fuss-free choice of accommodation, visit **Hakuna Matata**, which is a family-run hostel located in the heart of the El Nido town and near the beach. Rooms are small but clean, and come with ceiling fans, free drinking water and Wi-Fi. The hostel is

also surrounded by many restaurants and eateries. You can experience beachside dining at Sea Slug, a popular restaurant that has a live band and delicious seafood dishes.

- + Singapore to Puerto Princesa (capital of Palawan): Approx. S\$320
- + A night's stay in a private room at Hakuna Matata is about S\$25
- + Book directly with [elnidohakunamatata@gmail.com](mailto:elnidohakunamatata@gmail.com) or book via [www.hostelworld.com](http://www.hostelworld.com)
- + Best time to visit: March-June





Reykhoit, Iceland



Kota Tinggi, Malaysia

### 3 IN THE WILDS

Love the idea of getting close to nature but cannot give up your creature comforts? Glamping, or “glamorous camping”, is your answer.

#### **SPLURGE** Reykhoit, Iceland

Skip the tent and go for transparent bubble rooms so that you can enjoy panoramic views of nature. **Buubble**, a specialty lodge in Iceland also known as the “five-million-star hotel”, will give you the chance to view stars and the

Northern Lights (if you are lucky) from the comfort of your bed. Your night spent in the great outdoors will be magical and comfortable as each room comes equipped with electricity and a heater. You can also allay any privacy or safety concerns since each room is surrounded by trees and is located in a private area.

Buubble also provides tours to popular attractions in a Suburban luxury jeep. The stops include UNESCO World Heritage Site Thingvellir National Park

and the Secret Lagoon hot spring in which you may get to take a dip (with a unique floating kit) if it is not too crowded.

- + Singapore to Iceland: Approx. S\$1,200
- + A night’s stay at Buubble starts from ISK28,900 (approx. S\$370); the tour is about ISK59,900 (approx. S\$760) per person
- + [www.buubble.com](http://www.buubble.com)
- + Best time to visit: September-April

#### **SAVE** Kota Tinggi, Malaysia

About two hours’ drive from Singapore, **Kota Tinggi** in Johor is home to some of the most majestic waterfalls in Peninsular Malaysia, including the 36-metre-tall Kota Tinggi Waterfalls. There, you can get relief from the sunny weather by getting into the cool waters or renting a float to ride the man-made slides. Five minutes away from the waterfall is the Gunung Pantu Recreational Forest, a tropical rainforest where you can go trekking. Other activities available in the area include cycling, kayaking and all-terrain vehicle (ATV) rides. After a day of fun, unwind with a campfire along the riverbank and spend the night in a bell tent set up in the rainforest.

- + Booking a licensed cross-border taxi to Kota Tinggi will cost approx. S\$180
- + Packages by Kanopi Tribes are inclusive of meals and start from RM150 (approx. S\$50) for a two-day-one-night stay
- + [www.canopytribes.com](http://www.canopytribes.com)
- + Best time to visit: June-September: ISCA

# ONE YOUNG WORLD SUMMIT 2017

## Identifying the Next Young Accountant to Represent ISCA

BY  
INDUSTRY SUPPORT, ISCA

**I**n June this year, ISCA launched a competition in search of the brightest young professional accountant aged 30 years and under to represent ISCA at the One Young World (OYW)

Summit 2017. This year's competition attracted participants from across various industries, job roles, races and backgrounds. OYW 2017, which takes place from October 4 to 7, presents a rare opportunity for the winner to

visit Bogotá, the capital and largest city in Columbia, situated at the north-western tip of South America.

The competition required applicants to submit a short write-up telling us why they would like to represent ISCA at the Summit. In addition, they were required to record a three-minute video that introduced themselves and discussed one of the following topics – Poverty, Ageing Population, Equality & Diversity, Peace & Security, or Environment/ Sustainable Development.

One Young World, founded in 2009, gathers the brightest young leaders from around the world and empowers them to make lasting connections to create positive change.

The annual One Young World Summit brings together young leaders from global and national companies, NGOs, universities and other forward-thinking organisations worldwide, providing a platform for them to debate, formulate and share innovative solutions for pressing issues that the world is facing. Delegates are joined by a line-up of influential figures who assume the role of One Young World Counsellors. To date, these have included Justin Trudeau, Emma Watson, Archbishop Emeritus Desmond Tutu, Kofi Annan, Sir Richard Branson, Jamie Oliver, Professor Muhammad Yunus, and many more.

Bogotá, Colombia







Through these videos, the judges would discern their level of creativity, verbal ability and maturity of thought. Selecting this year's representative was a panel of five judges comprising the Institute's senior management, Council members and Young Professional Advisory Committee representatives. After the first round of screening where judges went through the write-ups and videos, five finalists were shortlisted for the interview. The competition was intense, and we congratulate them for having made the cut to the final round.

Muhammad Ashiq Chu, an assistant manager with PwC, was the eventual winner. The judges were impressed by his maturity of thought, passion and knowledge of a wide range of world issues; his drive and genuine desire to contribute beyond his work, and his ability to clearly articulate his thoughts and opinions. They believe that these qualities would allow him to not only participate, but actively contribute to discussions during the Summit, and bring something back to share with the rest of the profession.

A delighted Ashiq said, "I feel extremely honoured and privileged to be ISCA's representative at the upcoming One Young World Summit. I am excited about the prospects of exchanging ideas with youth leaders from around the world, and I look forward to sharing my experiences as a young *Chartered Accountant of Singapore*."

As a sponsored candidate, Ashiq will be attending the global youth summit as an ambassador of ISCA, and also as part of the delegation from Chartered Accountants Worldwide. This will be a once-in-a-lifetime experience for Ashiq, and we congratulate him on his success. Look out for his post-event report in the December issue of this journal.

To find out more about One Young World, please visit [www.oneyoungworld.com](http://www.oneyoungworld.com). **ISCA**

## OUTSTANDING INDIVIDUALS WHO MADE IT TO THE FINAL ROUND OF THE COMPETITION



**HAKEEM HALIM, 30**  
**CA (Singapore), CIA**  
**Senior Auditor, Business Operations**  
 Visa Inc., California

Currently based in the US and working at Visa Inc., Hakeem is an embodiment of an accountant who has taken his local training and applied it to good use at the world stage. As part of his work, he participates in large-scale audit engagements of company activities, focusing on key business operations. Before embarking on his accounting career, Hakeem was a sprinter/hurdler who represented Singapore at international track & field events. He had held the Singapore 110m Hurdles record from 2008 to 2015. Outside of work, he spends time hiking through the San Francisco Bay Area, enjoying scenic routes on his motorcycle, and exploring sociological discussions of current events within Singapore and around the world.



**LEE XIN HUI, 28**  
**CA (Singapore)**  
**Manager**  
 KPMG, New York

Xin Hui joined KPMG in 2012 and is currently a manager based in its New York office. When asked why she decided to work in the US, she shared that she wanted to get out of her comfort zone and experience a different work culture and way of life in order to expand her horizons. Outside of work, she actively participates in and contributes to programmes for youth. For example, she was a participant in the Ship for Southeast Asian and Japanese Youth Programme (SSEAYP), and served as the Vice Chairperson of the Boon Lay Community Club Youth Executive Committee.



Bogotá, Colombia



**MUHAMMAD ASHIQ CHU, 28**  
**CA (Singapore)**  
**Assistant Manager**  
 PwC Singapore

Ashiq is currently an assistant manager in PwC's Technology, Information, Communication and Entertainment group, General Assurance line of service. To tap on his perspectives and potential, he was previously enrolled in the firm's Emerging Leaders Programme - a PwC Global initiative to drive greater focus on Diversity and Inclusion. During his free time, Ashiq enjoys a good hike as he has set his sights on conquering Mount Kinabalu, Malaysia, having previously hiked Mount Rinjani, Indonesia. He also actively gives back to the community and is currently the Vice Chairperson of the Kebun Baru Community Club Youth Club and a member of the Finance Committee, where he oversees the use of public funds at the Community Club.



**SARAVANAN PANNIR SELVAM, 28**  
**ISCA Associate**  
**Audit Associate 2**  
 Ernst & Young LLP

Saravanan is a second-year assurance associate, specialising in audits of energy, oil & gas, and aviation companies. He is also part of the EY Corporate Social Responsibility (CSR) Committee which oversees and supports the firm's CSR activities and initiatives to achieve sustainable management. Outside of work, Saravanan is actively involved in community work. He volunteers at the Hindu Endowment Board, where he serves as a Temple Coordinator for the Project Bhakti programme - a community outreach programme for youths by youths. He is also a tutor at the Singapore Indian Development Association, providing life advice to youths at risk.



**TAI WEI LI WILLY, 27**  
**ISCA Associate**  
**Business Management Analyst**  
 Schroders Investment (Singapore) Pte Ltd

Willy has worked across several functions within Schroders as part of his job rotation. He is currently in the Business Management function where he is involved in activities like financial control, performance management and reengineering existing processes with emphasis on technological enablement and staff upskilling. As part of the digital workforce, he is also involved in data analytics and automation projects, driving metrics visualisation. Besides his core work, Willy is a member of ISCA's Young Professional Advisory Committee, and volunteers with Food from the Heart and Chinese Development Assistance Council.

# THE GREAT ECONOMIC INVERSION PART 1

How Balance Sheets Have Been Tipped Upside Down



BY  
PAUL ADAMS

In this three-part series, Paul Adams, CEO of EverEdge Global, discusses one of the most important trends in accounting in the last four decades – the increasing recognition of the importance and value of the assets the profession discusses the least – intangible assets. Part 1 will address why intangible assets are important. Part 2 will focus on intangible asset risks. Part 3 will conclude with looking at how companies can improve management of intangible assets.

**PART 1 THE MOST IMPORTANT ASSETS & BIGGEST RISKS AREN'T ON THE BALANCE SHEET: WHY INTANGIBLE ASSETS NEED TO BE ON THE BOARD AGENDA**

**A**n email has been circulating the web recently that neatly captures one of the mega trends revolutionising the global economy.



PHOTO SHUTTERSTOCK





★  
**... 87% of all corporate value is now found not in fixed assets and cash but in intangible assets; just 40 years ago, intangible assets barely accounted for 17%. We have made the transition from an industrial to a knowledge economy.**

It contains four simple statements:

- ✦ Uber – The world's largest taxi company owns no vehicles.
- ✦ Facebook – The world's most popular media owner creates no content.
- ✦ Alibaba – The world's most valuable retailer has no inventory.
- ✦ Airbnb – The world's largest accommodation provider owns no real estate.

Over the last 40 years, the West has undergone a massive economic inversion. Corporate balance sheets, once cluttered with tangible assets such as property, plant and equipment, have been inverted. Airlines don't own aeroplanes anymore. Hotels don't own buildings. Car manufacturers are outsourcing production lines when barely 20 years ago, such lines were considered their core competitive advantage.

If all the heavy stuff – the tangible assets – are gone, what replaced them? The answer is both profound and simple – balance sheets today are dominated by intangible assets – brand, content, data, software code, know-how, confidential information, design, inventions, domain names, approval rights. Chicago-based investment bank OceanTomo's analysis of the S&P 500 found 87% of all corporate value is now found not in fixed assets and cash but in intangible assets; just 40 years ago, intangible assets barely accounted for 17%. We have made the transition from an industrial to a knowledge economy.

This makes sense on an individual company level too. Take a company such as Apple or IBM (or closer to home, Singtel or UOB), and calculate the value of all their fixed assets

★  
**Study after study has demonstrated that companies that successfully leverage knowledge and innovation (intangible assets) significantly and consistently outperform their competitors and create lasting shareholder value.**

(desks, chairs, laptops and anything else you can physically touch) and it soon becomes clear that all the real value is somewhere else entirely.

The same principle is at work in value chains too. In a backstreet in Pakistan (or China or Indonesia), I can buy a T-shirt for \$1. Sew on a Calvin Klein (or D&G or Chanel) label and its price leaps to \$100. Same T-shirt. Where did the value come from? Brand (supported by content, design, innovation, marketing and distribution know-how) – all intangible, all intellectual property (IP). The issue of course is that this contribution to value is rarely acknowledged in financial accounts. The immense value contribution of intangible assets is almost magically assumed without being explicitly acknowledged.

Intangible assets are what make a company different, unique and special. In an age of instant pricing information, globalised supply changes and impulse capital, intangible assets are the only thing that stand between innovation and commoditisation. Intangible assets are the heart of a company's competitive edge. Fail to manage and hone that edge every day, and a company will fall into just one of many players producing essentially the same product or service.

## WHY DO COMPANIES STRUGGLE WITH INTANGIBLE ASSETS?

Until recently however, intangible assets weren't on the agenda for many boards and senior management teams.

Many directors regarded intangible assets and intellectual property (the alternative, narrower legal term for intangible assets) as an arcane legal issue best left to the lawyers.

Those days are gone. Study after study has demonstrated that companies that successfully leverage knowledge and innovation (intangible assets) *significantly and consistently* outperform their competitors and create lasting shareholder value. Conversely, those that fail to effectively utilise intangible assets inevitably face increasing competition, declining margins and tolling from companies that own key industry innovations. Given how important intangible assets are to a company, it is unsurprising that mismanagement of intangible assets can result in catastrophic loss of company value. In short, intangible assets are now correctly recognised as central to business performance and longevity.

Despite this, many board and senior management teams struggle with intangible assets. They consistently fail to manage their risks or realise (and release) their true value. One director of a well-known listed company, when initially asked about their intangible assets, said, "We don't have any IP."

After discussing the company's brand, its enormous customer data holdings, its many systems and processes for ensuring quality control, the millions of lines of software code used to deliver its services and its extensive content, he leaned back, clearly deeply concerned and responded, "We have intangibles *everywhere*."

## INTANGIBLE ASSETS HAVE LARGELY BEEN IGNORED... UNTIL NOW

Why is it that until recently, intangible assets have been an area most companies have ignored? There are five key reasons:

First, until the last few decades, a company's competitive edge *did* depend on its fixed assets, and so naturally, that's where attention was focused.

Second, this historical focus has been reinforced by accounting standards such as GAAP and IFRS, which tend to lump intangible assets under the generic term "goodwill" on the balance sheet, masking their importance and making it difficult to connect things like design and brand to margins, market share and growth.

Third, as in the example of the director above, historically, directors and managers have used the term "IP"





to refer to a company's non-tangible assets. Unfortunately, the abbreviation "IP" has become indelibly equated with "patents and trademarks". This is wholly incorrect. Intangible assets include not just patents and trademarks but also:

- + data (such as customer lists and bill of materials);
- + brand (such as company and product names);
- + software code (driving machinery or delivering services such as software as a service (SAAS));
- + content (in advertising and promotional materials and unique content);
- + confidential information (such as manufacturing know-how, production expertise, systems and processes);
- + product designs (the look and feel of a product);
- + domain names and web presences;
- + regulatory or approval rights.

The overwhelming *volume* and *value* of intangible assets in most companies are not in patents and trademarks (the "hard" intangible assets) but in these "soft" intangible assets. These intangible assets are

literally what enable a company to function day in and day out. They are akin to the tendons, ligaments and muscles in a body that connect the fixed assets (the bones) together to enable them to function and produce outcomes. They are the heart of a business and its primary source of competitive edge. Patents and trademarks might get a lot of attention but when it comes to business, the softer intangible assets are where the real value lies.

A fourth reason intangible assets tend to be overlooked is the traditional view that "IP = patent and trademarks" has led many boards and senior management teams to erroneously assume that "we have no patents and only a few trademarks... therefore we have no IP". This is incorrect for all but the simplest businesses. There is an easy way to check how important intangible assets are to a business – pick even one item from the above list (such as customer data) and try not using it for a week and see how hard it is to create revenue!

Finally, because IP has been equated with patents and trademarks, intangible assets have (incorrectly) been seen as a legal function and discussions about IP tend to rapidly head into a narrow legal discussion. This is hugely problematic for two reasons:

- a) First, intangible assets are the most important assets the company owns. Leaving them to fall under the legal function ignores their fundamental role in business value creation and the enormous risks they present if incorrectly managed or lost. The company is effectively asking a legal provider for business advice on critical commercial assets – advice that many (but not all) legal providers lack the skills to provide.
- b) Second, asking a patent attorney for advice on intangible assets raises an inherent but largely unacknowledged conflict of interest between the patent attorney's advice on what patents to file, and

the fact that the patent attorneys gets paid to file and maintain those very same patents. As the saying goes, don't ask your barber if you need a haircut. Read most articles on IP by the patent attorney profession and you will find very quickly the discussion focuses almost exclusively on patents.

There are excellent patent attorneys that don't fall prey to this conflict but regrettably, many "IP strategies" lead companies into filing as many patents as possible to the detriment of other non-patent assets. Given that the US Patent and Trademark Office's own data shows 97% of patents never make any money, this has led to what some might say is a healthy scepticism of patents.

What then can the accounting profession do to better advise clients (including internal stakeholders) on intangible assets? The starting point is to recognise that although an asset may be intangible, that does not mean it is irrelevant. Accountants should help clients to go beyond financial reporting to understand that these assets are fundamental to company performance. Here are some questions accountants as advisors can ask clients, to get the conversation started on intangible assets:

- + Have you identified which intangible assets you own?
- + Do you understand which ones are important and which are not?
- + How do your intangible assets enable and support your day-to-day business?
- + Are you protecting them? If not, why not? **ISCA**

Part 2 of this series, which will be published in the October issue of **IS Chartered Accountant**, will look at why it is important that companies understand that intangible asset risks can be some of the most serious risks a company may face.

Paul Adams is CEO of EverEdge Global ([www.everedgeglobal.com](http://www.everedgeglobal.com)), the world's leading intangible asset specialist.



# SECOND QUARTER REPORT ON SOUTHEAST ASIA

Asia Strengthens while Outlook Remains Steady

FROM "ECONOMIC INSIGHT"

**S**trengthening world trade and robust domestic demand underpinned Asia's growth in the first quarter of the year. Southeast Asia fared particularly well, expanding 4.7% year-on-year in Q1, up from 4.5%. The region's strong performance was driven by accelerating growth in Malaysia and Thailand, while momentum eased in Singapore, Philippines and Vietnam.

Malaysia's GDP was boosted by a rebound in public spending. Export volumes also grew rapidly, although this was offset by a surge in imports – with net exports subtracting 2.9% points from quarterly GDP growth. In Thailand, expansion was supported by household spending and a build-up in inventories. Like Malaysia, net exports did not add to growth, despite a strong export performance.

★  
**Following the positive Q1 outcomes, we have increased our growth outlook for some Asian economies, including Malaysia and Thailand. However, we remain cautious and expect Asia's growth momentum to cool.**

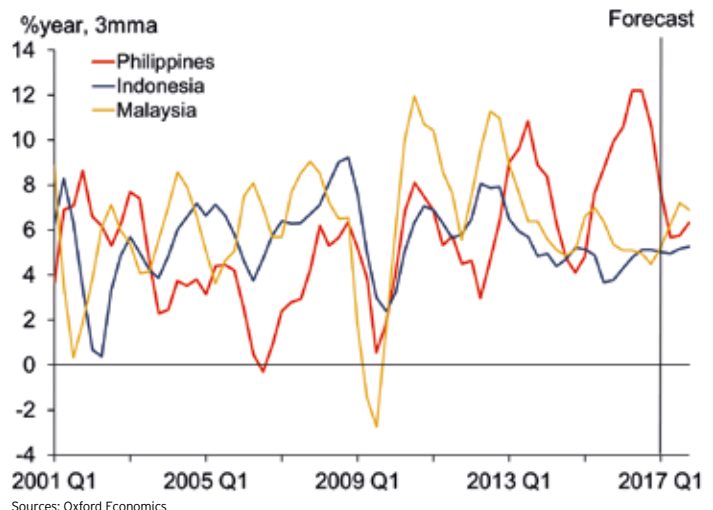




- Southeast Asia's growth picked up in the first quarter, supported by Malaysia and Thailand's strong performance.
- Momentum is likely to ease going forward, while 2017 growth is still likely to be slightly higher than last year.
- An improved external environment should help sustain Singapore's growth above 2%, even as domestic factors remain a drag.
- Vietnam's economy appears poised to grow above 6.7%, supported by rising investment and resilient exports growth.

Following the positive Q1 outcomes, we have increased our growth outlook for some Asian economies, including Malaysia and Thailand. However, we remain cautious and expect Asia's growth momentum to cool. Exports have started Q2 on a low note in both Northeast and Southeast Asia (along with India), raising questions about ongoing recovery. Export volumes growth in key economies has also eased, including in China and Singapore. Overall, we expect Southeast Asia's growth to slip back towards 4.5% by 4Q2017, with full-year GDP growth slightly higher than 2016 at 4.6%. Domestic demand is expected to remain the primary driver of growth, as the recent phase of rapid recovery in external trade fails to sustain.

ASEAN: Domestic demand





## SINGAPORE: GROWTH TO REMAIN UNEVEN THIS YEAR

Growth fell in the first quarter, contracting by 1.3% quarter-on-quarter Seasonal Adjusted Annual Rate (saar). This followed an astonishing 12.3% quarter-on-quarter (saar) acceleration in growth in the last quarter of 2016 and a statistical pullback was expected.

In line with the improved growth dynamics and the on-going recovery in global trade, we expect Singapore's GDP to expand by 2.7% in 2017. Growth is likely to be uneven, as we expect exports will moderate going forward.

Following a solid 9.2% annual rise in Q1, total merchandise export volumes declined for the first time in six months in April, falling 3.7% year-on-year. A weaker performance was recorded across all export categories, with non-oil domestic exports falling 3.1% and re-exports down 6.9%.

However, we expect that the disappointing performance of exports in April will be temporary. Near-term growth prospects remain firm, as April's Purchasing Managers Index manufacturing index was only slightly down from the 26-month high seen in March, with new export orders still solid. Growth is expected to ease over the coming quarters, reflecting

a moderation in Chinese import demand following its very strong bounce in 1Q2017.

Recent indicators suggest that a modest recovery in business investment may soon be underway. Business loans rose 8.1% year-on-year in Q1 – the strongest growth in loans since 2014. The government also announced further measures to support businesses and encourage investment in its 2017 Budget. We still expect two further rate hikes in the US in 2018, and therefore, higher domestic interest rates this year will dampen the forecast recovery in business investment. Government investment is forecast to accelerate, with S\$700 million in infrastructure spending over 2017-2018.

Meanwhile, the recent easing in housing restrictions from 2009-2013 will provide some support for the struggling housing sector. However, given the supply overhang, a recovery is not on the cards yet. The ongoing correction in the housing market is still expected to dampen growth this year but the prospects for 2018 are now slightly brighter.

Labour market conditions have softened due to a combination of negative wealth effects, associated

**Stronger export growth (to China and ASEAN partners) and a continued rise in investment in Q1 confirm that (Vietnam's) GDP growth will return to above 6.5% in 2017, after last year's slowdown to 6.2% due partly to drought.**

with falling house prices, and a weaker labour market have taken their toll on household spending. The unemployment rate of 2.3% in 1Q2017 – the highest level since 2010 – will improve later this year as the drag from sharp retrenchments in financial services and oil and gas-related sectors eases. Better employment conditions and additional fiscal support should lead to spending picking up. Growth in private consumption is still forecast to remain relatively subdued, as more modest wage growth and higher inflation is expected to lead to slower gains in real earnings.

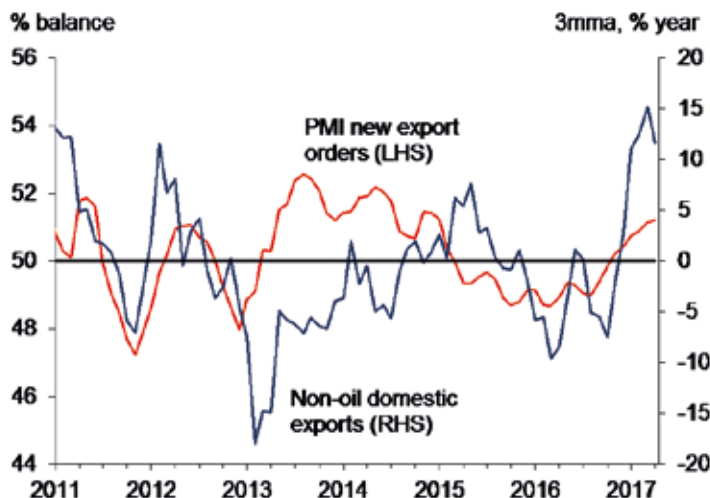
The Monetary Authority of Singapore (MAS) will maintain its policy of zero appreciation in the trade-weighted exchange rate (S\$ NEER) until late-2018. Although GDP growth is expected to improve, growth is likely to be irregular. And, given softer wage growth, demand-pull inflation pressures will remain constrained. We do not expect inflation excluding energy prices to return to 2% until mid-2018.

## VIETNAM RETURNS TO GROWTH TARGET AS FOREIGN INVESTMENT RISES

Stronger export growth (to China and ASEAN partners) and a continued rise in investment in Q1 confirm that GDP growth will return to above 6.5% in 2017, after last year's slowdown to 6.2% due partly to drought. Although inflation will stay close to 4% in 2017-2019 due to stronger demand and lower state-sector subsidies, this will still be a level that is positive for investment.

The forecast of steady medium-term growth, reaching an above-trend

Singapore: Export orders and NODX



Sources: Oxford Economics / Haver Analytics





Ho Chi Minh City, Vietnam

6.7% in 2017-2018, is driven mainly by Foreign Direct Investment (FDI) and local investment, trade growth and redirection and stable reform commitment. Last year's 7% rise in FDI commitments – to US\$24.4 billion, with actual FDI up 9% – reflects Vietnam's long-term growth as a market (with middle-class households potentially doubling to over 30 million in the early-2020s), as well as a low-cost supply source for textiles and other industrial products. Infrastructure programmes will provide the communications, transport and energy expansion needed for private sector growth, with industrial policy promoting domestic suppliers and start-ups. Capital inflows ensure that the current account will remain in surplus even with faster

growth and rising foreign debt costs eroding the trade and income balances by 2020.

The 20% rise in exports to China in 2016 reflects Vietnam's growing role as an outsourcing destination and low-cost food and industrial supplier. The President's five-day visit to China in May focused on deepening bilateral trade relations further, enabling FDI from and sales to China to offset the loss of US and regional market opportunities that would have arrived with the now-shelved Trans-Pacific Partnership (TPP). Having restored 6-6.5% growth and capped the inflation rebound to around 4% in 2018-2019, the ruling party can continue implementing cautious structural reforms. These

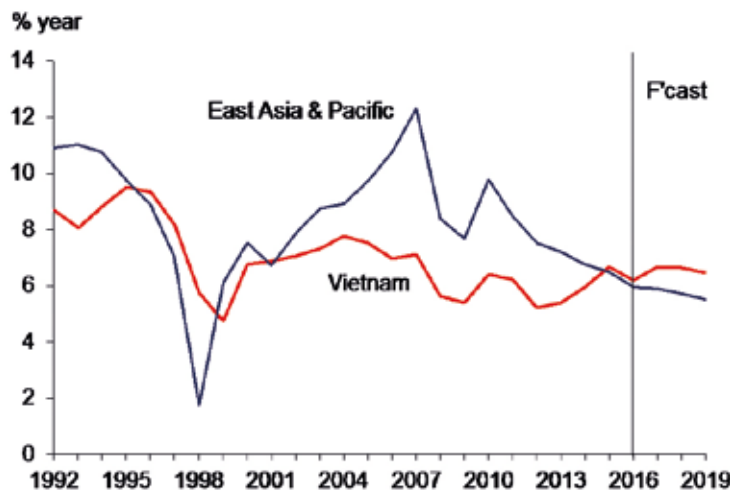
include downsizing and privatisation of state-owned enterprises (SOE) and promotion of smaller private firms in new sectors.

Risks to the forecast are mainly on the downside, despite the return to targeted growth rates, due to lower fiscal deficit, overstretched banks, potential trade partner problems and the need to lower fiscal deficit. The government aims to keep public debt below 65% of GDP (and foreign debt below 50% of GDP) in 2017-2020. As the respective ratios were already 64.7% and 53.6% at end-2016, this will require sustained fiscal deficit reduction – from 5.8% in 2016, to no more than 5% of GDP in 2017, and below 4.5% in 2018. This fiscal tightening will be offset by higher private investment and export growth. If constraint falls on public investment rather than consumption, there is a danger of budget cuts and tax increases slowing GDP growth, and of the deficit still not falling as planned.

While helping to propel private investment, rapid (20%+) loan growth is lowering some banks' ratio of loans to capital, meaning they could be vulnerable if non-performing loans – currently up to 9% of the total when all SOEs are included – rise further. The sector was undercapitalised by almost \$10 billion (4.6% of GDP) at end-2016 on Moody's calculations. Other enterprises' equity fundraising could be affected if banks are forced rapidly to restore their core capital ratios to the global standard of 8%.

Potential trade partner problems are a risk in the form of the US decision to abandon TPP, and threats to use tariffs against "unfair" trade could set back textile and electronic sales to North America. Anti-Chinese sentiment, especially in the northern regions around Hanoi, could also restrain some FDI plans. ISCA

Vietnam: Real GDP growth



Sources: Oxford Economics / World Bank

This is an excerpt from ICAEW's latest "Economic Insight: Southeast Asia" report. The full report is available at [www.icaew.com/en/technical/economy/economic-insight/economic-insight-south-east-asia](http://www.icaew.com/en/technical/economy/economic-insight/economic-insight-south-east-asia).

## TECHNICAL HIGHLIGHTS

### FINANCIAL REPORTING

#### ISCA COMMENTS ON IASB ED IMPROVEMENTS TO IFRS 8: OPERATING SEGMENTS

The ED proposed amendments to two key areas, namely (i) to clarify the identification of the chief operating decision-maker, and (ii) to add the requirement to explain why segments identified in the financial statements differ from segments identified in other parts of the entity's annual reporting package.

ISCA is of the view that the proposed amendments to (i) above are theoretical and will not have much impact on companies' existing practices when applying IFRS 8. In addition, they do not address IFRS 8's fundamental weakness, that is, there is no robust basis to determine reportable segment that best addresses users' needs for segment information.

For other comments, please visit:

<http://isca.org.sg/media/2238310/comment-letter-on-improvements-to-ifs-8.pdf>

#### IASB IMPLEMENTATION SUPPORT ON IFRS 17: INSURANCE CONTRACTS

IFRS 17 was issued by IASB on 18 May 2017 and has an effective date of 1 January 2021. IASB is currently undertaking a number of activities to support the implementation of this standard, including the following webinars:

- Scope of IFRS 17
- How does IFRS 17 work and what does it mean for investors?
- What are the measurement essentials for insurance contracts?

In addition, IASB will be establishing a Transition Resource Group to support the implementation of IFRS 17.

For more information, please visit

<http://www.ifs.org/supporting-implementation/supporting-materials-by-ifs-standard/ifs-17/#webcasts>

### AUDITING AND ASSURANCE

#### ISCA COMMENTS ON IAASB'S PROPOSED ISA 540 (REVISED)

ISCA agrees with the IAASB's proposals to enhance requirements for risk assessment procedures, set a more detailed expectation for the auditor's response to identified risks and make the proposed standard more scalable. While the enhanced requirements improve clarity, ISCA highlighted some practical challenges and proposed ways to address them. ISCA also suggested providing more guidance on the documentation requirements of the proposed standard.

For more information, please visit

<http://isca.org.sg/media/2238299/isca-comment-letter-ed-540-final.pdf>



PHOTO SHUTTERSTOCK

## Non-profit Organisation Gains Greater Control over Purchase Budgets



### CHALLENGE

As a leading humanitarian non-profit organisation grew, the volume of its purchases expanded significantly, increasing the challenge of managing and controlling purchase budgets. In some instances, hard copies of approved purchase records got lost. Without a clear view of routine purchasing behaviour in the organisation, it became challenging to make strategic purchase decisions. Consequently, the organisation approached Stone Forest IT (SFIT) for a solution to improve control over purchase budgets.

### SOLUTION

After assessing the client's needs, SFIT integrated ePurchase Control with its existing Sage 300 accounting system. Designed as an optional add-on for Sage 300, ePurchase Control expedites the client's purchase approval process by:

- Consolidating all purchase requests on a centralised platform
- Allowing users to easily track purchasing activities through a dashboard that provides a comprehensive view of all approved/outstanding purchase requests
- Enabling all supporting documents to be filed digitally for easy reference
- Allowing purchase requests to be viewed/approved online anywhere, anytime

### RESULTS

Following the implementation of ePurchase Control, the client enjoyed several benefits:

- Clear and comprehensive visibility of purchasing behaviour results in greater control over purchase budgets and efficiency in managing them
- More timely purchases due to flexibility of consolidating purchase requests anytime in any location
- Minimise risks of poor purchase decisions and potential fraud in this area

With our intimate understanding of clients' needs and extensive experience in providing customised solutions for Sage 300, we help businesses to achieve greater efficiency and productivity.

### HIGHLIGHTS

**Industry:**

Non-profit Organisation

**Location:**

Singapore

**Solution:**

ePurchase Control

**Results:**

- Greater control over purchase budgets
- Minimise risks of poor purchase decisions and potential fraud



## THE FINESSE OF TP FUNCTIONAL ANALYSIS

Finer Points of Functional Analysis in Transfer Pricing



BY  
FELIX WONG AND  
ANGELINA TAN

**D**oing nothing is no longer an option.

### TP DOCUMENTATION

Transfer pricing (TP) has remained in the limelight since the start of OECD's Base Erosion and Profit Shifting (BEPS) project. One of the key principles relating to TP arising from the BEPS project is that profits should be taxed where real economic activities generating the profits are performed and where value is created. This principle has been widely adopted in most countries in Asia. Likewise in Singapore, the Inland Revenue Authority of Singapore (IRAS) has endorsed the principle in its e-Tax Guide on TP Guidelines published on 12 January 2017.

To substantiate that profits are being taxed where value is created,

★  
**Profit attribution should reflect the value contribution of each entity, and should be consistent with the characterisation.**

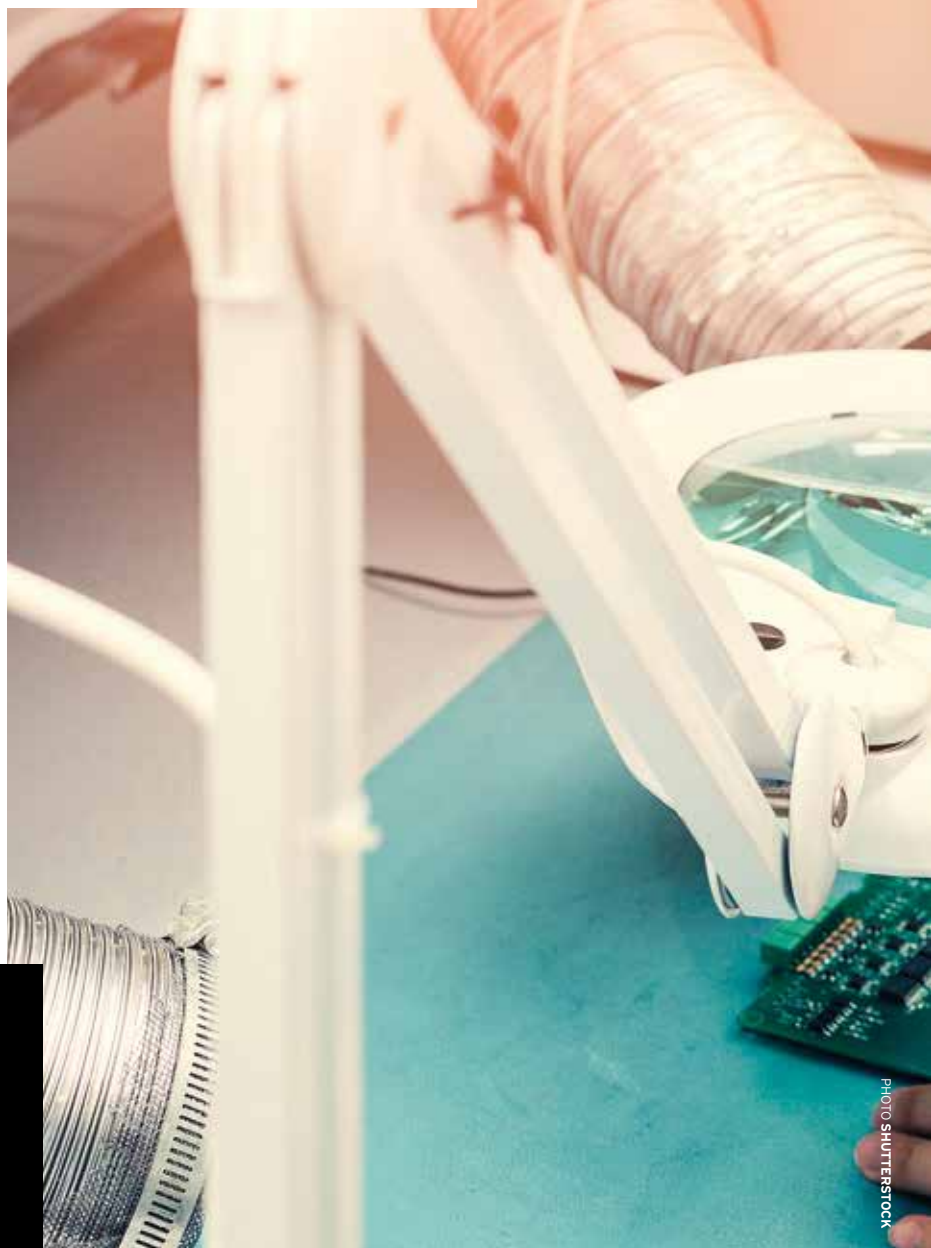


PHOTO SHUTTERSTOCK



**Adriana Calderon, Director, Transfer Pricing Solutions Asia, shared her insights on functional analysis in transfer pricing.**

contemporaneous TP documentation is key. There is a growing realisation among business executives and tax professionals that “entering into a tax dispute with tax authorities without proper TP documentation and hoping to successfully defend your TP position is an illusion”.

A typical TP document would include the company and industry analyses, the functional analysis and characterisation of entities, and the economic analysis including the benchmarking analysis<sup>1</sup>.

In this article, we will take a closer look at functional analysis.

## **FUNCTIONAL ANALYSIS**

Essentially, a functional analysis describes the economically significant functions undertaken, risks assumed and assets used by related parties that entered into a transaction. It involves a fact-finding exercise to identify the role of each participant in a related party transaction. The goal is to provide evidential support that profits are being taxed at where the value is created. The relative compensation earned by each party should correspond to their relative contribution (in terms of functions performed, resources used and risks undertaken).

<sup>1</sup> “Breakthrough with TP Benchmarking” article, Singapore Institute of Accredited Tax Professionals, 9 February 2017; <https://siatp.org.sg/images/PDF/tpbenchmarking2017-web.pdf>

# TECHNICAL EXCELLENCE

## TRANSFER PRICING

“Profit attribution should reflect the value contribution of each entity, and should be consistent with the characterisation,” shared Adriana Calderon, Director, Transfer Pricing Solutions Asia, during the latest instalment of the *Tax Excellence Decoded* (TED) session organised by the Singapore Institute of Accredited Tax Professionals. “It is critical to understand the functions, assets and risks to determine the remuneration for the entities.”

### PERFORMING FUNCTIONAL ANALYSIS

There are four key steps to a functional analysis.

#### 1 Determine tested transaction and tested party

At the start of a functional analysis, it is essential for a company to have clarity on the tested transaction and tested party as this would help the company decide on the appropriate TP methodology.

The tested party is typically the least complex entity (where a TP method can be applied in the most reliable manner), and hence, it is unlikely to be the entrepreneur or the Intellectual Property (IP) owner.

#### 2 Gather information

Interviews and questionnaires are the two common modes used for information gathering in a functional analysis. In practice, interviews are generally preferred over questionnaires as they tend to require less preparation for both the interviewers and interviewees. Interviews also facilitate communication and could arguably produce better results.

To better understand the business operations, key operations personnel (and not only in-house tax and finance personnel) should be involved. This could include general managers of the various business units.

#### 3 Prepare write-up of the analysis

Information obtained is typically

categorised into three sections in the write-up of the analysis:

- (i) Functions performed by the company;
- (ii) Assets (both tangible and intangible) used;
- (iii) Risks assumed by the company.

#### 4 Conclude and characterise

Once the functional analysis is completed, it is required to conclude and characterise the related parties that participated in the transaction (whether it is marketing agent, limited risk distributor, full-fledged distributor, etc) based on the functions performed, assets used and risks assumed. The appropriate level of profit would then be allocated based on the company's characterisation.

### CASE STUDIES

#### CASE STUDY 1: DISTRIBUTION AND SALES ARRANGEMENTS Background

Company A, incorporated in Europe, designs and manufactures specialised floor products for different industries. The company also holds all IPs of its specialised floor products.

To distribute its products, Company A set up two subsidiaries, SG Sub and MY Sub, in Singapore and Malaysia respectively. The distributors are responsible for selling and marketing the products in their respective country. Goods are shipped to the distributors' warehouses by Company A.

#### Functional analysis

Based on the case facts above, the tested transaction is the purchase of finished products from Company A. The tested parties are SG Sub and MY Sub. Company A is not an ideal tested party because it is the IP owner and the two distributors are the less complex entities.

Key operations personnel who are well-versed with the business operations, such as the managing directors and heads of business units from SG Sub and MY Sub, should be

interviewed. Possible questions to be posted to the interviewees include:

- How is the product price negotiated and set?
- How are the supply chain and logistics managed?
- Do the distributors keep stocks?
- How many sales and marketing staff are there in each entity?
- Do the distributors sign contracts with the customers and if so, are such contracts in the name of the distributors or the head office (that is, Company A)?
- What type of customer service is provided?
- What type of marketing campaign is carried out?
- How do the distributors interact with the head office (Company A)?

These questions seek to find out the functions performed (example, general management and administration, marketing strategy and development, warehousing and ordering, sales, logistics, quality control, and customer support services); assets used (example, inventories, warehouse, equipment and







★  
**It is critical to understand the functions, assets and risks to determine the remuneration for the entities.**

office), and risks assumed (example, credit risk, market risk, inventory risk, product risk and foreign exchange risk) by SG Sub and MY Sub.

Based on the overall matrix of the functions performed, assets used and risks assumed, the Group may then determine whether SG Sub and MY Sub are marketing agents (low functions, low risks), limited risk distributors or full-fledged distributors (high functions, high risks). The closer SG Sub and MY Sub are to a full-fledged distributor, the higher the profit that should be allocated to them.

## **CASE STUDY 2:**

### **SERVICES TRANSACTIONS**

#### **Background**

Company B is the regional head office of a Group providing engineering and construction services. Most of Company B's 300 employees are engineers and

specialists in infrastructure.

To carry out engineering projects in the region, Company B sets up two subsidiaries, TH Sub and VT Sub (each with five employees) in Thailand and Vietnam respectively. As the Group's engineering expertise resides mainly with Company B, TH Sub and VT Sub have to rely on Company B's engineering expertise to carry out their projects. On top of technical services, Company B also provides management services to its two subsidiaries.

#### **Functional analysis**

The tested transactions in this case are the management services and technical services provided by Company B. It should be noted that the tested party would be Company B because the provider of the service would usually be the tested party for service arrangements.

In carrying out the functional analysis for the service transactions, the key information to identify is the activities being performed by the service provider and the benefits to the recipient. The starting point is the services contract as it would provide most of the basic information of the arrangement. However, interviews should also be arranged with the teams that provide the services to understand their exact scope of work and responsibilities with regard to the service transactions.

The service charge for such transaction is driven mainly by the type of service being provided. It is generally accepted in many tax jurisdictions that low-value services could be remunerated on a cost-plus

basis. In Singapore, IRAS accepts a 5% cost mark-up as a reasonable arm's length charge for certain routine support services.<sup>2</sup> However, this concession should be applied with care as it is available only for routine services that support the main business activity of the company (also known as non-core or low-value services) such as accounting services, payroll support and legal support. Any services that are core to the business (as they add value to the main revenue-generating activities) are considered non-routine and a higher mark-up will be expected to remunerate these services.

It should be emphasised that marketing services do not fall within the ambit of routine support services, and are generally able to command higher remuneration than management services. Technical services are normally linked to the core business activities of the company, and are often expected to generate a higher return than management and marketing services.

Ultimately, the functional analysis should address the type of activities (for example, administrative, financial and human resources functions) being performed by Company B and the benefits that such activities bring to the service recipients (that is, TH Sub and VT Sub).

The majority of tax authorities worldwide accept that profits should be taxed where the real economic activities generating the profits are performed and where value is created. To support that a company's profit allocation is in line with this principle, the preparation of a functional analysis as part of a TP exercise is key. Hence, if you have not prepared a functional analysis, now is the time to prepare, revisit or review.

Doing nothing is no longer an option. **ISCA**

Felix Wong is Head of Tax, and Angelina Tan is Technical Specialist, SIATP. This article is based on SIATP's *Tax Excellence Decoded* session facilitated by Adriana Calderon, Director, Transfer Pricing Solutions Asia. For more tax insights, please visit [www.siatp.org.sg](http://www.siatp.org.sg).

<sup>2</sup> For details on routine support services, refer to Annex C of IRAS' e-Tax Guide on Transfer Pricing Guidelines; [https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax\\_Guides/etaxguide\\_CIT\\_Transfer%20Pricing%20Guidelines\\_4th.pdf](https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguide_CIT_Transfer%20Pricing%20Guidelines_4th.pdf)

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### M&A Disputes

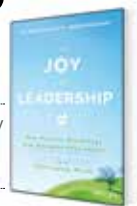
Vincent Biemans,  
Gerald M. Hansen  
ISBN: 978-1-119-33191-9  
S\$112.30 including GST



This go-to reference provides the advice, tools, and in-depth coverage that will prove invaluable to the transaction parties, legal counsel, accounting advisors, and would-be or experienced accounting arbitrators. It is a comprehensive walkthrough of the entire M&A dispute resolution process from selecting an accounting arbitrator through to final award. It also provides helpful tips to pre-emptively mitigate and possibly avoid costly breakdowns during the post-closing purchase price adjustment process.

### The Joy of Leadership

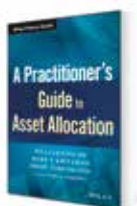
Tal Ben-Shahar, Angus Ridgway  
ISBN: 978-1-119-31300-7  
S\$41.68 including GST



The book addresses the difficulty of making lasting change and introduces readers to practices for changing undesirable habits and behaviours; ritualising healthier, more productive behaviours, and making these rituals a permanent part of their life. Based on Potentiallife's 10X programme, it combines organisational science and positive psychology that reveal the five essential performance multipliers common to 10X leaders - strengths, health, absorption, relationships, and purpose (SHARP).

### A Practitioner's Guide to Asset Allocation

William Kinlaw, Mark P. Kritzman, David Turkington,  
Harry M. Markowitz  
ISBN: 978-1-119-39780-9  
S\$59.87 including GST



This is a hands-on resource that describes the many important innovations that address key challenges to asset allocation, and dispels common fallacies about asset allocation. It covers the fundamentals of asset allocation, including a discussion of the attributes that qualify a group of securities as an asset class, and a detailed description of the conventional application of mean-variance analysis to asset allocation.

# 3

Prizes Up  
for Grabs

Stand to win the book of your choice! Simply email your answers to the quiz questions to [journal@isca.org.sg](mailto:journal@isca.org.sg) by 22 September 2017. Please provide your full name, NRIC number, mailing address, contact number and the book you're interested in.

## QUIZ

**1** In "Unlocking Intangible Assets", study shows that companies which successfully leverage knowledge and innovation (intangible assets) far outperform their competitors and create lasting shareholder value.

A True  
B False

**2** In "The Finesse of TP Functional Analysis", profit attribution should reflect the value contribution of each entity, and should be consistent with the characterisation.

A True  
B False

**3** In "Second Quarter Report on Southeast Asia", Southeast Asia's growth slowed in the first quarter of this year, dragged down by the less-than-stellar performance from Malaysia and Thailand.

A True  
B False

## CONGRATULATIONS

AUGUST QUIZ WINNERS:

Dickson Lim Sxxxx799E | Guo Kangling Sxxxx415F | Soh Xin Yi Sxxxx284H

Answers for August quiz: (1) A, (2) B, (3) A



# SINGAPORE ACCOUNTANCY AND AUDIT CONVENTION

# 2017

## Gearing Up for the Accountancy Futurescape

Tuesday, 3 October 2017 | 7.45am - 5.30pm  
Marina Bay Sands Expo & Convention Centre

### Big Five Changes are Set to Shake up the Financial Reporting Landscape – Are you Prepared?

Come 2018 and 2019, five significant changes are set to shake up Singapore's financial reporting landscape. Investors in particular will be keeping a close watch on the impact of Revenue, Financial Instruments and IFRS Convergence on companies' quarterly results. This will be followed by SGX's mandatory Sustainability Reporting and the new leases accounting standard. Are you confident of keeping your company's financial statements on course?

Programme Highlights		
<b>Harnessing Value from Digital Innovations (60 minutes)</b> (1) Blockchain and Cognitive Technology on Tax, Audit and Investigations (2) The Role of Finance and IT in Digitalising the Boardroom of the Future (3) Enablers and Innovations to Powering up Productivity		
<b>Panel Discussion: Staying Ahead of the Digital Curve (60 minutes)</b>		
<b>Enhanced Auditor's Report: A Review of First Year Experience (30 minutes)</b>		
<b>Track 1</b> <b>Accountants in Public Sector</b> <b>Transforming the Public Sector Finance Function (90 minutes)</b> (a) Understanding the challenges of a transformation journey (b) Developing capabilities and harnessing the powers of technology (c) What can data analytics do for public sector finance? <b>Managing Risk &amp; Governance in the Public Sector Context (45 minutes)</b> <b>Panel Discussion: Enhancing the Strategic Value of Public Sector Finance Function (45 minutes)</b>	<b>Track 2</b> <b>Public Accountants</b> <b>Update on Audit Regulatory Developments in Singapore (20 minutes)</b> <b>ACRA's Key Observations from its Regulatory Programme on Public Accountants (25 minutes)</b> <b>Embracing Technology to Stay Ahead (45 minutes)</b> <b>Addressing the Common Pitfalls of Key Inspection Findings (30 minutes)</b> <b>Panel Discussion: Demystifying Practical Audit Issues (60 minutes)</b>	<b>Track 3</b> <b>Professional Accountants in Business</b> <b>Revenue, Financial Instruments and IFRS Convergence – Ready for 2018 (60 minutes)</b> <b>ERM in an Age of Disruption (30 minutes)</b> <b>FRS 116 Leases – Sharing of ISCA Implementation Roadmap Guidance (30 minutes)</b> <b>Panel Discussion: The Value of Sustainability Reporting (60 minutes)</b>

Join our repertoire of experienced speakers as they share their knowledge and expertise in unravelling the intricacies of the new accounting standards, as well as providing practical action plans for the implementation of these standards. The Singapore Accountancy and Audit Convention will also feature the launch of the Revenue Guidance for Property Development Industry, IFRS Convergence Guidance and Leases Implementation Roadmap Guidance, to further assist in the implementation process.

Register at [www.saac2017.sg](http://www.saac2017.sg)

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