ISCharteredAccountant

February 2018

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

THE ASEAN EXPERIENCE: A NEW FRONTIER

ISCA Member Kelvin Kok, Senior Manager, UTW (Myanmar) Limited

SHARE BUYBACKS IN SINGAPORE

Financial Reporting And Disclosure Of Share Buybacks

ISCA PRE-BUDGET ROUNDTABLE 2018

Partnering For Business Growth And Job Creation

THE SCIENCE & ART OF DISPUTE RESOLUTION

TRANSFORMING, UPSKILLING, READYING FOR THE FUTURE

Dear members,

ISCA, as the national accountancy body, is an advocate for our members and the accountancy profession, ensuring that our views are heard where they matter. The Institute also spearheads initiatives for the wider business community, and a key event is the ISCA Pre-Budget Roundtable. In January, for the ninth consecutive year, the Roundtable brought together representatives from trade bodies and the finance community to discuss Singapore's future. Pertinent points were submitted to the government for its consideration for Budget 2018. The feedback also provided valuable insights to policymakers, the business and accounting community, and other stakeholders on how Singapore can move forward.

At this year's Roundtable, my fellow co-chair Liang Eng Hwa, chairman of the Government Parliamentary Committee for Finance and Trade & Industry, said that in developed economies, the "end goal" of economic growth and activities is "to create good jobs", and rapid technological advancement will change the type, nature and location of future industries and jobs. As we ourselves are experiencing it, in recent years, disruptive technologies have upended the traditional way of doing things, and organisations and workers must be strategically proactive in order to stay in the game. Digitalisation, innovation and internationalisation are redefining business, while talent upskilling and reskilling for specialised skill sets in high-growth areas are the new foci. Firms and individuals alike will need to embrace new models of collaborative working, and partner for business growth and job creation.

ISCA has been working hard to future-prepare our members, helping them to seize new opportunities arising and also manage the challenges of an increasingly complex business reality. Through a variety of CPE courses, seminars and resources such as the ISCA Knowledge Centre and this journal, members are apprised of the implications of emerging technologies from blockchain and artificial intelligence to big data and data analytics, and other industry changes such as new technical standards and regulations.

Advanced technologies have spawned new job roles which require people with specialised skill sets. To this end, the Institute is offering candidates a certification programme for business analytics, and a specialist qualification for financial forensics, to give them a headstart in these nascent fields. Find out the details of the ISCA-SUSS (Singapore University of Social Sciences) Business Analytics Certification Programme, and ISCA Financial Forensic Accounting Qualification here.

Internationalisation is a recurring theme for Singapore and also for the Institute. In addition to organising overseas business study missions for Singapore SMPs, we started a series of articles to share our members' overseas work experiences. In this issue, we feature ISCA member Kelvin Kok, who is based in Myanmar. If you are contemplating an overseas stint, this series will provide you with ideas and useful tips on what to consider before you make your decision.

Accountancy is a dynamic profession, and I urge you to continue to upgrade and update your skills in this era of rapid changes. As our February cover story makes clear, the path towards becoming a future-ready accountant lies in lifelong learning, acquiring multidisciplinary skill sets and knowledge, and developing an enterprising mindset. Do make full use of the over-800 CPE course sessions offered by the Institute, access the ISCA library for e-learning (it has more than 400 courses), and also use the resources in this journal to add value to the work you do.

Ending off with some good news, the accountancy sector faces a bright future. It is part of the professional services sector – a key contributor to the economy. According to the Professional Services Industry Transformation Map unveiled on January 24, the professional services sector is projected to grow at an average rate of 4.6% from 2015 to reach a value-add of $31 billion by 2020. Growth will be powered by digitalisation and specialised solutions, broadly spanning the areas of analytics and artificial intelligence, strategy and consulting. While accountants with specialist training are in the best position to access these emerging opportunities, all ISCA members can expect to be part of the growth story. After all, businesses are increasingly looking at accountants as valued business partners who can contribute to management decision-making, and also, quite simply, because every business needs an accountant.

Have a good read.

Gerard Ee
FCA (Singapore)
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Top 10 Talent Trends in Singapore for 2018: Hays

With the Singapore economy growing much faster than first predicted, the Top 10 talent trends for 2018 show how organisations plan to extract greater value from people and technology, to take advantage of positive conditions, according to recruitment firm Hays.

"Companies in Singapore want to position for growth in 2018. In our conversations with employers, we are hearing that they plan to invest in talent and technology while also keeping a close eye on costs," says Lynne Roeder, Managing Director, Hays Singapore. She cites as an example how companies in Singapore are increasingly working with contractors and temporary staff, tapping on the "top talent for projects via contracting" to secure the best people for these roles.

Organisations are also looking to their staff to "deliver in new areas" – accountants are assuming the role of business partners to their organisations, and talent management professionals are using technology in the learning and development (L&D) space to improve the employment experience. Technology, in particular, artificial intelligence (AI), is expected to play a bigger role to enhance efficiency. The Hays Singapore Top 10 Talent Trends in 2018 also reveals how companies will be expecting new and existing employees to help improve the way things are done.

"Soft skills will also be in high demand in 2018, especially for roles crucial to advocating for technology-driven change," says Ms Roeder. As things are changing rapidly and no one can predict with certainty the full scope of skills they will need for the future, employees and employers alike need to keep an open mind, be adaptable and be ready for change.

TOP 10 TALENT TRENDS FOR 2018 IN SINGAPORE

1) **Flexible workforces**, particularly in industries with high cost pressures such as Banking, Life Sciences and Manufacturing.

2) **Soft skills** As automation and AI transform work processes, candidates with strong soft skills who are able to communicate changes and work with technology will be highly prized.

3) **Diversity** Companies will be looking towards gender neutrality as they hire based on skills, not gender.

4) **Regional hubs drawn to Singapore** As one of the best cities to do business in Asia, more MNCs are establishing or moving regional hubs to Singapore to access quality leadership talent and take advantage of business-friendly policies.

5) **Talent management professionals** will be taking over traditional L&D roles, especially in MNCs. In L&D, there will be greater use of digital solutions.

6) **Regulatory change professionals** remain high on the agenda of many employers in Singapore and across Asia Pacific as compliance with new laws and regulations comes under the spotlight.

7) **Finance becomes a business partner service** Qualified finance professionals are expected to act as business partners to their organisations. Accountants are no longer required just for their number-crunching abilities but also to provide advice in all areas of the business. In fact, almost every hire in the finance team in 2018 needs to demonstrate their ability to engage with the business to help drive decision-making where appropriate.

8) **Process improvement** As firms in Singapore look to gain a competitive edge against their rivals, it will become a bigger part of an employee's responsibility to improve processes and gain efficiencies.

9) **AI candidate screening** Automated and machine-learning algorithms will be used to screen CVs and communicate with candidates.

10) **Recruitment remodelled to "Find & Engage"** A new model of recruitment will emerge, fuelled by technology, the dynamics of the digital world, data science and AI.

PHOTO SHUTTERSTOCK

IN TUNE

INDUSTRY NEWS

Singapore's Corporate Responsibility Reporting Rates above Global Average: KPMG

In Singapore, 84% of the largest companies are reporting on corporate responsibility (CR), faring better than the global average of 72%. This is according to the KPMG Corporate Responsibility Reporting survey, which studied annual financial reports and CR reports from the largest 100 companies, by revenue, across 49 countries.

Said Ian Hong, Head of Sustainability Advisory & Assurance at KPMG in Singapore, "Singapore's high percentage could be attributed to the high standards set under its Code of Corporate Governance that elaborates the Board's role to include a consideration of sustainability issues such as environmental and social factors, as part of its strategic formulation." As sustainability reporting (SR) has also been mandated by the Singapore Exchange on a "comply or explain" basis for the financial year ending on or after 31 December 2017, more companies will be reporting on CR.

Climate change not adequately recognised as a financial risk

A surprising find from the survey is that 75% of the top 100 companies in Singapore do not address the financial risks stemming from climate change in their annual financial reports. On top of this, only 17% of Singapore companies have set carbon reduction targets, faring lower than the global rate at 50%. These statistics support the need for initiatives such as the Financial Stability Board Task Force on Climate-related Financial Disclosures[1].

Said Mr Hong, "Going forward, disclosures surrounding climate risk will expand further due to the increasing expectations of securities regulators, the investor community and other stakeholders. We encourage companies to start with a full assessment of where climate-related risk lies within the organisation, and assess the current state of their processes and data quality for identifying and reporting on such risks."

The survey also explored further trends in CR reporting, including reporting on the United Nation's (UN) Sustainable Development Goals (SDGs), a set of 17 global goals to end poverty, protect the planet, and promote prosperity for all.

Other key findings include:

- **Reporting on the UN SDGs has been gathering steam**
  Some 39% of the company reports studied in KPMG's survey connect companies' CR activities to the SDGs. However, the proportion of such companies in Singapore remains low at 15%.
- **Integrated reporting is growing slowly but steadily**
  Some 14% of the reports studied globally in the survey use the classification "integrated" reporting. Only four companies in Singapore produced an "integrated" report.
- **The number of companies investing in third-party assurance of their CR reports has grown steadily since 2005**
  It is now accepted standard practice among the world's 250 largest companies (G250), with 67% of the company reports seeking assurance. However, only nine companies in Singapore sought assurance on this information.

"A majority of Singapore's largest 100 companies has been reporting on their sustainability initiatives. However, only a few are strategically utilising them to communicate with their stakeholders, especially investors," said Mr Hong. "CR should be used as a tool to present an organisation's true value that goes beyond its financial performance. Boards can also benefit from recognising the risks and opportunities emerging from climate change and sustainability, and integrating them within their company's overall corporate strategy."

[1] The Task Force on Climate-Related Financial Disclosures was set up by the G20's Financial Stability Board to provide a framework to improve the ability to assess and price climate-related risk and opportunities.

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ISCA Financial Forensic Accounting Qualification: Coming Soon on 1 March 2018

The ISCA Financial Forensic Accounting (FFA) Qualification is the first applied learning financial forensic accounting qualification developed by a professional body in Southeast Asia. It was formally announced by ISCA President Dr Gerard Ee at the inaugural ISCA Financial Forensic Conference on 28 September 2017. Applications for the Qualification will open from 1 March 2018.

ISCA FFA QUALIFICATION BACKGROUND

Due to Singapore's high digital connectivity and economic activity as an international financial hub, the nature of white-collar crime in the city-state has grown in terms of magnitude and complexity, especially when abetted by professionals and new technologies. To safeguard Singapore's reputation as a global financial centre, there is a need for financial forensic professionals to detect and investigate instances of wrongdoing, put in place preventive measures, manage risks, and utilise the latest technology to combat white-collar crime.

ISCA recognises that financial forensics is a niche area that requires professionals with specialised knowledge and skill sets. To support the Singapore government's call for the deepening of skills, ISCA is working with industry experts who are leading financial forensic professionals from both the public and private sectors to develop the ISCA FFA Qualification, in a bid to build and shore up capabilities in the financial forensics field.

Targeted at the following main groups (Table 1), this Qualification aims to equip professionals with practical and portable skills.

Table 1 ISCA FFA Qualification: Main target groups

Target Groups	Aims
Professional accountants who wish to broaden their accounting and finance skills in the area of financial forensics	Prepares accountants without a financial forensic background to conduct forensic investigations competently across industries and sectors from law enforcement to forensic advisory, and banking and finance. Forensic accountants use a combination of accounting and finance knowledge, analytical, legal, technological and investigative skills to carry out detailed tests of transactions, interpret complex financial information, summarise and present findings for reports which may be used for litigation support purposes.
Existing financial forensic specialists who wish to deepen their forensic accounting skills and achieve professional recognition for their specialised skill sets	Reinforces financial forensic knowledge and allows existing specialists to gain proficiency in identifying and explaining the different types of white-collar crime and compliance requirements in conducting investigations and preparing reports for different stakeholders; they will be updated and be able to leverage the latest technological tools, approaches and techniques for digital evidence gathering and cyber investigations.

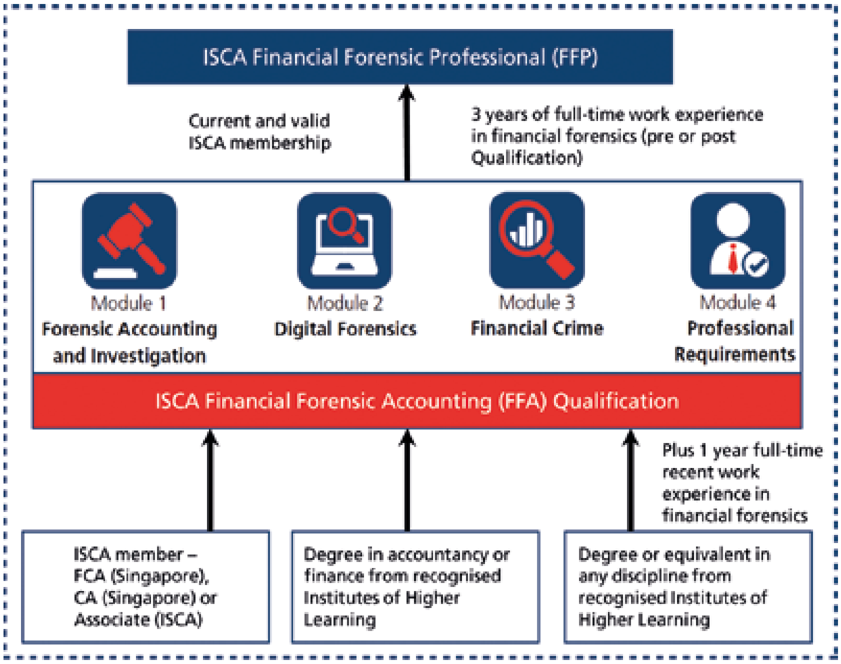
WHAT THE INDUSTRY SAYS ...

"In this globalised world where the business environment is constantly evolving, the Commercial Affairs Department supports ISCA's efforts for greater collaboration with like-minded partners to enhance the profession and make Singapore a safe place to conduct business."

DAVID CHEW, Director, Commercial Affairs Department, Singapore Police Force

"Whether they are working in the law enforcement agencies, financial institutions or accounting firms, financial forensic professionals who wish to deepen their skills will find the ISCA FFA Qualification highly relevant to their work. The public will also have more confidence in the quality of work by professionals with the ISCA FFA Qualification."

LEM CHIN KOK, ASPAC Head of Forensic, KPMG Singapore



* Those who do not meet academic requirements will have their applications assessed on a case-by-case basis.

ISCA FFA QUALIFICATION OVERVIEW

The ISCA FFA Qualification is a part-time programme which involves a combination of self-study and mandatory practical workshops to be conducted by a team of experienced trainers. Most candidates can reasonably complete the Qualification in 12 months.

The Qualification comprises four modules, recommended to be taken in the following order (Table 2).

Practical workshops are available for Modules 1 to 3, and are conducted by KPMG Singapore. Real-life cases including mock investigation will be used as part of the practicum so as to stay in tune with the latest development in financial forensics.

Besides individuals with a degree in accountancy or finance, those who have a degree or equivalent in other disciplines and have at least one year of full-time recent work experience in financial forensic fields, such as law enforcement, financial and regulatory compliance and financial forensic advisory are welcome to register for the Qualification.

After completing all the four modules, and acquiring three years of recent and relevant work experience in financial forensics, graduates can apply for ISCA membership, subject to meeting the prevailing membership admission requirements, and be conferred the ISCA Financial Forensic Professional (FFP) credential.

Modules may also be taken on an a la carte basis. This would likely apply to candidates who wish to pursue one or more modules under the Qualification to garner specific knowledge and skill sets, without going for the ISCA FFP credential. Upon passing the individual module assessment, the candidates will be awarded a certificate of completion.

Table 2 **ISCA FFA Qualification: Four modules**

Module	Focus Areas
Module 1: Forensic Accounting and Investigation	Forensic accounting methodology and investigation approaches
Module 2: Digital Forensics	Digital forensics including data analytics and cyber response
Module 3: Financial Crime	Financial crime compliance and investigation in the banking and financial sector
Module 4: Professional Requirements	Mandatory professional requirements: (a) Code of Professional Conduct and Ethics [ISCA Ethics Pronouncement (EP) 100] (b) Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore (ISCA EP 200)

Grandfathering Scheme

To recognise ISCA members who are experienced professionals in the financial forensics field, there will be a provision for a limited period for our members to be grandfathered as an ISCA FFP, subject to criteria. Applications for the ISCA FFP credential under the grandfathering scheme will also open on 1 March 2018.

CONTACT US

For more information on the ISCA FFA Qualification and the ISCA FFP credential via grandfathering scheme, please visit https://isca.org.sg/become-a-member/qp/isca-ffa/. Contact us at qualifications@isca.org.sg or call 6597 5610 (dial 3) for further inquiries.

Launch of ISCA-SUSS Business Analytics Certification Programme

Modern technology has brought about vast volumes of data both structured and unstructured. Accountants are familiar with structured data – particularly financial information that is or can be populated in a row-column field, such as a database or a spreadsheet – but a lot of the data generated today are unstructured. All forms of data, regardless of them being quantitative or qualitative, social media posts, call centre logs, customer feedback, leads or sales transaction records, are relevant and can be harnessed for analytics.

Unprocessed data are not meaningful, and business analytics skills are required to turn data into relevant information, and to piece together relevant information to form useful knowledge that allows businesses to drive performance and better understand customer needs. This is especially important for businesses operating in today's highly dynamic and digitalised business environment.

Business analytics presents a range of opportunities for accountants by adding further value to the work they currently do. With the rise of analytics, the role of an accountant will shift towards that of a business partner who provides useful insights for management decision-making.

To help members tap on the potential of business analytics, ISCA has launched the ISCA-SUSS Business Analytics Certification Programme. Working in partnership with the Singapore University of Social Sciences (SUSS), the Programme will be customised to individual needs and offer the option of two certificates:

- **ISCA-SUSS Certificate in Business Analytics**
  Equips individuals with the fundamental concepts and applications of data mining and key topics in statistics such as regression, association and clustering principles and predictive modelling techniques in the fields of statistics, artificial intelligence and machine learning.

- **ISCA-SUSS Specialist Certificate in Business Analytics**
  Equips individuals with in-depth practical skills and knowledge in topics such as data visualisation, business forecasting, business analytics applications, text mining, web mining and data-mining models.

Individuals have the flexibility to complete the courses at their own pace, by module or by certificate. Candidates also enjoy exemptions for the modules they complete in the ISCA-SUSS Business Analytics Certification Programme when they pursue the Bachelor of Science (Business Analytics) at SUSS.

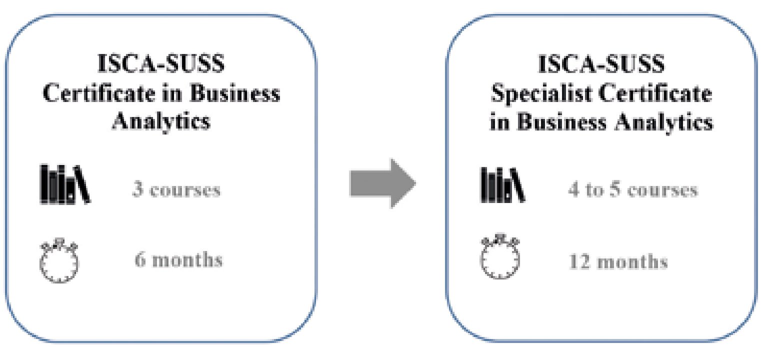
CONTACT US NOW

For more information on the ISCA-SUSS Certification Programme, please contact ISCA Pathways Development and Qualification at 65975610 or iscapathways@isca.org.sg.

Investing in your Future

- **Practical business analytics techniques**
  Individuals will acquire practical skills that can be applied directly at work, in areas such as customer relationship management, estimation of demand, production and cost.
- **Customised to your needs**
  As professional accountants, the expanded competencies in the area of business analytics will supplement the core technical competencies of an accountant in financial and management reporting. Based on insights gained through data mining, predictive modelling and business forecasting, individuals can provide relevant information to facilitate data-driven decision-making analysis.
- **Integration with technology**
  From day-to-day Excel to business intelligence tools such as Tableau, Sage, etc, application software is integrated into the courses. Individuals gain hands-on experience at performing business analytics using technology which has evolved to be very user-friendly.

ISCA-SUSS BUSINESS ANALYTICS CERTIFICATION PROGRAMME



Membership Privileges

ISCA Members' Privileges Programme (MPP) is a platform where various merchants of different industries offer their respective services and products as a form of privilege to our esteemed members. Membership benefits now extend beyond signing up for CPE courses at members' rates and accessing the Technical Knowledge Centre as ISCA members can ride on and take advantage of the various discounts or deals that are offered throughout the year.

Our newly-revamped ISCA MPP allows our members to enjoy special deals and discounts from various merchant partners, enhancing our value to you as an esteemed member of the Institute.

You may also access your privileges online at http://bit.ly/memberssignup.
*Terms and conditions apply.

Flash your membership e-card to enjoy these benefits as an ISCA member.

Far East Hospitality

NEW

Weekend Staycation Rates
- The Quincy Hotel: Per room night stay from $220nett
- Oasia Hotel Downtown: Per room night stay from $180nett
- Oasia Suites Kuala Lumpur: Per room night stay from MYR250nett

Weekend staycation rates are valid from 1 Jan – 30 Dec 2018 and blackout dates apply

Young Earth Sanctuary

- 15% off natural health food from YES with promo code ISCA15PCT

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- Exclusive prices all year round for Motor, Travel, Home & Personal Accident insurance products
- Free shopping voucher for motor insurance products

Kordel

- Quote ISCAKD2018 to enjoy 25% savings off Kordel's products on Lazada

Get Closer | Get Connected

Get Closer
Get Clarity

It is always thriving to finally transform your idea into business after much perseverance and courage. We work with you to grow your business, get your business ripe for success and position it to reap the rewards. Leave the non-core task to us so that you can focus on growing your business!

Our experienced consultants are always ready to assist:-

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- Income tax compliance
- Licensing & work passes
- Executive search
- Audit & review

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Are you at a crossroads of growth and sustainability?

With decades of proven track records and experiences, we provide businesses with innovative and sound advice to shepherd you through the transformation phase, helping you grow from strength to strength. Explore with us:-

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- Financial assessment for growth
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- Pre-IPO/IPO/RTO consultancy
- Funding consultancy

Get Closer
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Our global presence with local expertise provides you with seamless support while your business is crossing different borders. We make your internationalisation a reality!

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- Tax structuring
- Optimisation via grants and incentives
- Overseas set-up coordination

Get in touch

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Tax Consultancy

Technology Solutions

▲ In this full-capacity event, Accredited Tax Advisor (Income Tax and GST) Yeo Kai Eng topped off the session with the latest GST updates

ISCA BREAKFAST TALK

Staying on Top of Key Tax Changes

Just as there are winds of change blowing through the accounting sector that finance professionals and accountants have to keep up with in their daily work, the same can be said for the tax sector. Against this rapidly-evolving tax landscape, ISCA collaborated with the Singapore Institute of Accredited Tax Professionals (SIATP) to organise the recent ISCA Breakfast Talk that covered the latest changes in the areas of transfer pricing (TP) and GST legislation, tax implications of FRS 115 and FRS 109 implementation, and the corresponding implications to businesses.

Held on January 10, the hour-long session provided accountants and finance managers from various sectors with a helicopter view of key tax issues to be aware of for the year ahead. An example is the new Section 34F which introduces the requirement for mandatory TP documentation with effect from year of assessment 2019. While the documentation must be prepared by the tax return filing deadline and retained for at least five years, it need only be submitted upon request by the tax authority.

▲The first half of the session saw Accredited Tax Advisor (Income Tax) Chai Wai Fook bringing participants through key developments in the areas of income tax and transfer pricing

The talk was facilitated by Accredited Tax Advisor (Income Tax) Chai Wai Fook, Tax Services Partner and Accredited Tax Advisor (Income Tax & GST) Yeo Kai Eng, GST Partner and Indirect Tax Leader.

Some of the mentors of the ISCA-SAC Mentoring Programme include Andrew Lim, Group CFO of CapitaLand (row 2, 4th from left); Amos Ng, CFO of Straco Corporation (row 2, 5th from left), and Saw Kok Wei, CFO of Jurong Port (row 2, 3rd from left)

ISCA-SAC MENTORING PROGRAMME

Taking Stock of Progress

More about the Programme

Launched in January 2016, the ISCA-SAC Mentoring Programme is a joint collaboration between ISCA and SAC. The Mentoring Programme is designed to provide CFO aspirants with access to experienced C-Suite executives. Through one-to-one mentoring, mentees can learn from their mentor about what it takes to become a CFO themselves in future, as well as receive tips on leadership, management and stakeholder communication, among many other areas of expertise which the mentor can offer.

As a guide, it is recommended that the mentor-mentee pair meet about six times over the nine-month period of the Programme. More information is available at https://isca.org.sg/member-services/career-support/mentoring-programme/.

On 6 December 2017, ISCA organised a session for the participants of the ISCA-SAC (Singapore Accountancy Commission) Mentoring Programme at ISCA House. The evening event brought together some of the programme participants to network and learn from one another's experience.

The Mentoring Programme, which started in May last year, has seen different mentor-mentee pairs making varying levels of progress. This session provided participants with the opportunity to find out how other pairs are progressing, exchange ideas, and recap on some of the factors that have contributed towards a great mentoring relationship.

The session was facilitated by trainer Patrick O'Brien, Managing Director of Amanuenses Network. Through different activities, he guided the participants in sharing their thoughts on related topics, such as, what mentors and mentees should do more of when they meet. It was not all serious discussion though, as participants also spent time networking with one another.

The 2017 run of the Programme will wrap up in February 2018, after having brought together 21 mentors and 31 mentees. "My sessions with my mentor have been enriching and productive," said one of the mentees. Added a mentor, "We have certainly made good progress as the mentee took some of my suggestions and followed up on them."

We will be inviting CFOs to volunteer as mentors for the 2018 run, and look forward to CFOs contributing their time, experience and wisdom to develop our next generation of finance leaders.

Participants brainstorming on how the mentoring experience could be further enhanced

▶ Closing the gap on tax issues affecting the HR function was Accredited Tax Advisor (Income Tax & GST) Jack Wong, Director, WHM Consulting Pte Ltd, as he shared insights from his newly-published book *Essentials of Expatriate Tax*

▲ The SHRI-SIATP Post-Budget 2017 Dialogue saw a mix of human resources and tax professionals looking to better understand the changes in the Singapore Budget

Partnerships Take the Taxing out of Tax

From new anti-avoidance legislation to changes in documentation requirements, a plethora of tax developments has been occurring both in Singapore and our neighbouring countries, as well as the rest of the world.

To better understand the dynamics behind these tax developments, SIATP partnered ISCA to organise a specially-designed session for finance executives to gain an appreciation of the latest tax essentials affecting the region. The half-day "Tax Must-Knows" was peppered with active participation from the attendees who came from a wide range of industries.

Accredited Tax Advisor (Income Tax) Rohan Solapurkar facilitated the robust session, where various issues were discussed through the sharing of first-hand experiences and perspectives on the implications of key Asia-Pacific tax developments. The success of this kickoff session further boosted the ongoing ISCA-SIATP partnership, especially following an earlier fully-subscribed Breakfast Talk session on potential key tax risks areas.

SIATP continued to break down the walls of tax complexity for non-tax professionals with its established partnership with the Singapore Human Resources Institute (SHRI). By providing human resources (HR) professionals with relevant updates on Singapore Budget 2017, and highlighting the possible tax implications in expatriate employment and remuneration arrangements, it brought to the attention of HR professionals the many tax implications relating to the HR function.

SIATP's partnerships went beyond technical areas. Ethics and public trust in tax systems were in the spotlight as SIATP collaborated with the Association of Chartered Certified Accountants to organise a presentation and panel discussion in this essential area, especially in light of the dynamic global economic and political landscape.

SIATP's long-standing partnership with the Inland Revenue Authority of Singapore continues to enhance understanding of tax affairs for many taxpayers. From technical sessions to hands-on workshops, the partnership continues to advance the knowledge of tax issues with practical insights for businesses.

These partnerships have equipped tax specialists, finance professionals and business executives with greater confidence in sailing through the many facets of tax both in Singapore and beyond.

Who says tax has to be taxing? Drop an email to enquiry@siatp.org.sg if you wish to take the taxing out of tax.

▲ Accredited Tax Advisor (Income Tax) Rohan Solapurkar, Tax Partner, Deloitte Singapore, brought participants on a journey through Asia Pacific's key tax issues

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The SWAT accounting team springs into action at the call from directors, bankers, corporate finance and litigation professionals to attend to non-routine accounting work requiring a quick turnaround. Speed is of the essence.

Our Assistance

Assist in applying FRS115 for revenue recognition

Expedite preparation of financial statements for urgent submission to banks & financial institutions

Prepare financial statements to support audit or tax in meeting filing deadlines

Supports non-routine accounting work for the financial year-end crunch

Assist in forensic accounting for litigation support

Clear accounting backlog and 'messy' accounts

Deal with sudden staff departures

Reconstruct accounts from incomplete records

The following are some of the cases the SWAT Accounting team has handled:

Case Study:

CLEARING ACCOUNTING MESS

The subsidiary of a listed company restructured its operations, with some of its staff redeployed to other subsidiaries. The low morale environment resulted in a high turnover of its accounting personnel, which led to an accounting mess. Accounts Receivable & Payable, inventory and reported GST did not tally with the control accounts. The monthly bank reconciliations were also not done properly. Adding to the mess was a backlog of accounts and an urgent need to meet the audit deadline.

The SWAT Accounting team

- Traced the differences and reconciled all items
- Reviewed and rectified the accounting & GST errors
- Reconciled all bank and major suppliers' accounts
- Reviewed inventory costing
- Reviewed system flow and provided improvements plan

The company was able to start afresh with an updated and neater set of accounts.

Case Study:

STREAMLINE GLOBAL REPORTING

A leading pharmaceutical MNC in the US appointed a SWAT Accounting Manager as Project Manager to coordinate the Special Project for Asia-Pacific region and work with their shared service centre in China to help streamline, segregate and compile financial reports to improve transparency for their stakeholders. Adding to the complexity was the need to compile data from multiple ERP systems yet minimising disruptions to the financial closing cycle.

The SWAT Accounting Manager worked with project leads from multiple global locations to ensure a smooth and successful project implementation. They monitored progress in the Asia-Pacific region to ensure the regional financial reporting system was aligned with global requirements and proposed process improvements.

CONTACT US

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www.AccountServe.com.sg

Disciplinary Findings

UPON FINDING that **Ms Chiew Shang Hui,** FCA (Singapore) and Public Accountant, had contravened Rule 64.4 of the Institute (Membership & Fees) Rules, read with Section 110.2(a) of the Code of Professional Conduct and Ethics under the Third Schedule of the Institute (Membership & Fees) Rules, in that she at the material time being a public accountant had knowingly allowed and omitted to correct the "Yes" answer ("Answer") indicated against the question under paragraph (v), "We hereby declare that… (v) The proposed engagement partners, did not fail the latest ACRA Practice Monitoring Programme inspection"; in the form entitled "Appendix I – Declaration In Relation To Appointment Of Auditor For Statutory Board/Town Council/Fund" dated 15 July 2016, which she had endorsed and submitted to CEA for the purpose of appointing herself and her firm as the proposed engagement partner and audit firm, respectively, for the audit of CEA's financial statements for Financial Year 2016. The said Answer is a materially false statement as she had been notified by ACRA on 10 July 2015 that she had failed ACRA's Practice Monitoring Programme inspection.

The Disciplinary Committee ordered:

1) That pursuant to Rule 137.1.9 of the Institute (Membership and Fees) Rules, Ms Chiew Shang Hui be issued a letter of advice with effect from 13 November 2017.
2) That pursuant to Rule 167 of the Institute (Membership and Fees) Rules, Ms Chiew Shang Hui shall pay to the Institute the sum of S$3,236.75 (inclusive of 7% GST), being the costs and expenses incurred by the Institute in connection with the investigation and disciplinary proceedings undertaken against her within 30 days of the date of this order.

MARK YOUR CALENDAR

07 FEB

ISCA Breakfast Talk - Understanding Cryptocurrencies and their Investment Risks / Potential

One popular topic in recent months has been cryptocurrencies and Initial Coin Offerings (ICOs). This session will focus on questions surrounding these topics, such as the nuances between the different cryptocurrencies, the driving force behind their meteoric rise in value, and more importantly, the risks and potential of investing in cryptocurrencies and participating in ICOs.

22 & 23 FEB

Advanced Certificate in Business Analytics and Reporting (BAR)

Master the advanced BAR techniques in 2 days and learn how you can be an expert in building sustainable, interactive and impressive reporting models with Excel. It provides a comprehensive coverage, from time-saving to automation tips, bringing you to a higher level of financial analysis and reporting.

26 FEB

Key Trends and Transfer Pricing Challenges in the Manufacturing Sector

Discusses key trends in the manufacturing sector and provides an overview of newly arising transfer pricing challenges resulting from the transformation of the sector.

14 MAR

ISCA Breakfast Talk - Financial Forensics and Technology

01 & 02 MAR

GST: Operations, Accounting, Administration and Returns

Learn the concepts of the Goods & Services Tax (GST), its rules and regulations as well as learn to administer the registered entity's compliance with the various rules and regulations.

COMPLIMENTARY

08 MAR

Preview Session for Practical Accounting Essentials

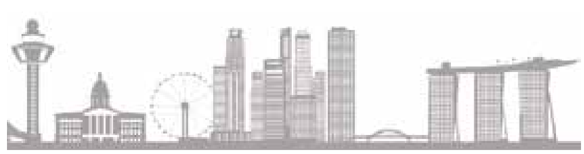
If you are involved in financial accounting in a Small & Medium Enterprise (SME) and you have basic accounting and finance skills, attending this talk will help you to appreciate some areas of complexity and/or judgment areas required of SME accountants in applying the financial reporting standards.

This 1-hour preview will also demonstrate how the new ISCA Certificate in SME Accounting can support SME accountants in their professional development.

15 MAR

Budget 2018 How Does It Affect You?

Join us at the Budget 2018 seminar to gain views and insights from industry leaders on how the Budget measures will impact Companies and Individuals.



Dates and events are subjected to change without prior notice.
For more details, visit www.isca.org.sg

ISCA PRE-BUDGET ROUNDTABLE 2018

Partnering For Business Growth And Job Creation


By
LOKE HOE YEONG AND VERNICE NEO

Singapore's full-year growth for 2017 took a positive turn when it hit 3.5%, up from an earlier estimate of 2% to 3% by the Ministry of Trade and Industry. Nevertheless, the challenges posed to globalisation appear to continue throughout 2018. Under the Trump administration, the United States (US) has been reviewing its trade agreements, particularly those with countries that have a large trade surplus with the US.

It was against this backdrop that the ISCA Pre-Budget Roundtable 2018 was held on January 9, bringing together leaders of trade bodies and accounting firms to discuss and provide recommendations on the Singapore Budget 2018. Held for the ninth year running, the annual

ISCA PRE-BUDGET ROUNDTABLE 2018 PANELLISTS

(Co-Chair)
LIANG ENG HWA
Chairman
Government Parliamentary Committee
Finance and Trade & Industry

(Co-Chair)
DR GERARD EE
President
Institute of Singapore Chartered Accountants

Panellists (seated, from left) Max Loh, Managing Partner, Asean & Singapore, Ernst & Young LLP; Piyush Gupta, Chairman, The Association of Banks in Singapore; Co-Chairs Dr Gerard Ee, President, ISCA, and Liang Eng Hwa, Chairman, Government Parliamentary Committee, Finance and Trade & Industry; Ho Meng Kit, Chief Executive Officer, Singapore Business Federation; Kon Yin Tong, Managing Partner, Foo Kon Tan LLP; (standing, from left) Chris Woo, Head of Tax, PwC Singapore; Vincent Tan, President, Restaurants Association of Singapore; Douglas Foo, President, Singapore Manufacturing Federation; Prof Sum Yee Loong, Board Member, Singapore Institute of Accredited Tax Professionals; Koh Yeong-Kheng, Honorary Treasurer, Association of Small & Medium Enterprises; Saw Ken Wye, Chairman, SGTech

DOUGLAS FOO
President
Singapore Manufacturing Federation

PIYUSH GUPTA
Chairman
The Association of Banks in Singapore

HO MENG KIT
Chief Executive Officer
Singapore Business Federation

KOH YEONG-KHENG
Honorary Treasurer
Association of Small & Medium Enterprises

KON YIN TONG
Managing Partner
Foo Kon Tan LLP

Roundtable serves as an invaluable platform to gather the views and insights of business leaders on how Singapore can advance its future.

Liang Eng Hwa, Chairman, Government Parliamentary Committee for Finance and Trade & Industry, and Co-Chair of the Roundtable, said, “Budget 2018 will continue its focus on transforming the economy, future-skilling the workforce and enhancing overall employability. The improved economic environment presents a more conducive environment.”

ISCA President Dr Gerard Ee, who co-chaired the Roundtable with Mr Liang, noted, “Disruptive technologies have changed the face of businesses, and continue to re-shape the business landscape. Technologies such as blockchain and artificial intelligence (AI) have started to catch on in mainstream markets, threatening to destroy existing business models while creating new ones.” Dr Ee posed the question of how Singapore companies can embrace the digital economy, in view of Singapore’s goal to become a Smart Nation.

INDUSTRY TRANSFORMATION MAPS

The Industry Transformation Maps (ITMs) are part of the government’s approach to transform the economy. Every ITM is tailored for the specific needs of each industry and coordinated

MAX LOH
Managing Partner
Asean & Singapore,
Ernst & Young LLP

SAW KEN WYE
Chairman
SGTech

PROF SUM YEE LOONG
Board Member
Singapore Institute of
Accredited Tax Professionals

VINCENT TAN
President
Restaurants Association
of Singapore

CHRIS WOO
Head of Tax
PwC Singapore

▲ **The Roundtable brought together leaders of trade bodies and accounting firms to discuss and provide recommendations on Singapore Budget 2018**

by an economic agency. To date, 17 ITMs have been launched, and the remaining six ITMs will be launched progressively by March this year – bringing to a total 23 ITMs which will cover 80% of the Singapore economy.

The panellists felt that more private-public collaboration would be needed on the ITMs, so that they would be more connected to business realities. Moreover, the perception among some of the trade associations and chambers (TACs) has been that the ITMs are developed for larger companies in mind. Yet there is a "long tail" of small and medium-sized enterprises (SMEs) in each industry which may not perform as well. The key performance indicators set for these SMEs must similarly be made more relevant to their business circumstances.

Strong TACs can better engage with industries on the ITMs, which would then lead to better outcomes. Naturally, some TACs are better resourced than others, so there is a need to further identify and build up capabilities in TACs.

Given the phenomenon of sector convergence in today's world, there is a need for greater horizontal linkages between the ITMs. For instance, it is hard to compartmentalise a corporation like Google into the purely technology sector, since the use of technology inevitably cuts across all industries.

Given the fast pace of change that Singapore faces, ITMs should not be a one-time roadmap, but should be adaptable and have the capacity to keep evolving.

One panellist shared that while

companies can save on manpower by tapping on technology, they are sometimes hampered by government tender project requirements which prescribe a higher required headcount that assumes the technology solution is not applied. The goals and requirements set across government agencies would need to be better coordinated, to prevent such a situation of mismatched expectations.

THE DIGITAL ECONOMY AND BUSINESS COMPETITIVENESS

One panellist cited studies conducted by his TAC which showed that the main barriers to greater technology adoption by SMEs are a lack of strategic know-how about going digital, and the lack of tech-savvy among their employees. It was proposed that young people should be incentivised to work in some of these SMEs, as the best means of injecting digital know-how into them.

There is a perception that the speed of change at the government level is slow because there is an over-emphasis on reaching consensus among its various agencies. In particular, when launching technological initiatives, the government should make even bolder moves. To illustrate this, one panellist cited TradeNet, launched in 1989, as perhaps the most successful technology initiative of the Singapore government. TradeNet is Singapore's National Single Window for trade declaration that allows various parties from the public and private sectors to exchange trade information electronically. Paper documents required by 20 government agencies were eliminated almost overnight, improving efficiency.

Another panellist urged the government to leverage Singapore's city-state characteristics further in the field of data. For instance, the same set of national data is replicated among different agencies and bodies in Singapore, even though Singapore is

▲ Mr Liang and Dr Ee co-chaired the ISCA Pre-Budget Roundtable 2018

such a small country. There would be massive productivity savings if there is a common data-gathering platform. The government could explore some iconic national projects to move the needle in this regard.

Fintech is an area in which Singapore wants to continue developing its capabilities, so as to be at the forefront globally. The fintech boom in countries like China is sometimes assumed to be a groundswell phenomenon. However, it was noted at the Roundtable that there are effectively only two companies in China serving the fintech boom there – Tencent and Alibaba. As a lesson for Singapore, it was proposed that perhaps some local "queen bees" are needed to come up with a "killer product" that can move the needle for fintech here.

INNOVATION

There was unanimous agreement among the panellists that support schemes for research and development (R&D) are too focused on quantum-leap type of research. Under these schemes, such as the Inland Revenue Authority of Singapore's, the threshold of what counts as R&D is very high, understandably so, given the large amounts of money involved. But if the aim is to spur innovation on a large scale in the country, this whole notion of R&D, and the accompanying criteria for awarding funding or other support, needs to be re-evaluated. To cite the example of the banking industry, the key agenda for innovation in the banking sector currently is about fundamentally digitalising banking, but none of these processes would qualify for R&D tax and other benefits. It was suggested that an incremental rather than a quantum-leap approach be adopted. Businesses are mostly involved in product and process enhancements/developments rather than R&D, so a scheme addressing the former may be more suited to business needs.

There was clearly a desire among some panellists for the return of the Productivity and Innovation Credit

(PIC) scheme. While acknowledging that the scheme was discontinued due to cases of abuse, some panellists proposed that selected aspects of the old PIC scheme be brought back, such as for the purchase of computers, which would be the crucial first step in getting small/micro-companies run by pen-and-paper methods to digitalise.

While technology is indeed a national agenda, the payback for investments in it would not happen so quickly, which could make it hard to justify the use of ever more government incentives. Some panellists felt that Singapore should create an eco-system to encourage more private capital (angel investors, seed funding, fintech investors) to invest in technology, by making it easier and more attractive for private investors to do so. This would also help Singapore to continue being at the forefront of fintech globally. Singapore could look seriously at establishing a private exchange for investors to buy the shares of non-listed companies.

WHAT PANELLISTS SAID ...

On innovation, digital economy and business competitiveness

PIYUSH GUPTA "Singapore is not leveraging its city-state characteristics in the field of data. The same data is replicated between different agencies and bodies (for example, national utilities). If we have a standard data-gathering platform, there will be massive productivity savings. Singapore should find four or five national iconic projects to move the needle for the country."

DOUGLAS FOO "What is the future of manufacturing if we do not have the pipeline of the young to join the industry? There is a need for a new pipeline of new talents who would like to join the manufacturing industry. Without that, we will not have the new people and new interest with the coming transformation."

PROF SUM YEE LOONG "Very few entities in Singapore are able to do research. We should be focusing instead on product development or enhancement. So, I would suggest that we rename the R&D tax incentive scheme. Let's have a double deduction for product development or enhancement. That would be a lot more useful and industry-friendly."

VINCENT TAN "We are facing a manpower crunch in the restaurant sector, so we need to cut down on the processes. Many restaurants are now using a self-ordering iPad system. Digital payments are starting to be rolled out too. Everyone is moving in this direction. Those who are not willing to change will be left behind, and may eventually have to leave the industry."

On internationalisation

CHRIS WOO "Singapore should take the opportunity as ASEAN Chair for 2018 to spearhead the expediting of the clearance of goods within Southeast Asia, so that companies, particularly SMEs, can better take advantage of free trade and trade facilitation agreements."

KOH YEONG-KHENG "SMEs recognise the need to go overseas, but face the challenge of whom to send to take charge of their overseas operations. The most suitable staff are often parents with school-going children who usually insist on an allowance for their children to attend international schools. (To help defray such costs, the government could consider a way to transfer the education subsidy that these children would have enjoyed had they remained in Singapore.) This will encourage more people to go overseas."

On the ITMs

HO MENG KIT "The larger companies may have a better understanding of the ITMs, but there is a long tail of SMEs in each industry which are not as innovative or productive. The government, trade associations and chambers must be able to reach out to these SMEs through the ITMs in an appealing approach that is relevant for these companies."

On jobs and skills

KON YIN TONG "Skills are transitory and temporary. If we can focus instead on competencies that will last a lifetime, in the face of an ever-changing economy and skills displacement, that will be good. It will help with fostering innovation as well."

MAX LOH "While we rightfully focus on industry transformation, we must be mindful of ongoing sector convergence. As we build up skills and capabilities, and drive productivity and innovation within industries, we must also promulgate sector-agnostic skills such as team leadership, problem solving and digital literacy. The mastery of both broad and deep skills alleviates structural unemployment and ensures the relevance of our workforce vis-a-vis the jobs of the future".

SAW KEN WYE "The mid-career switch presents an interesting challenge. With artificial intelligence, even skilled jobs can be replaced. We really need to think carefully about what kind of workers we want in society."

▲ Dr Ee presented a token of appreciation to Mr Liang for co-chairing the Roundtable

JOBS AND SKILLS

One panellist opined that Singaporeans should be thinking about the future of jobs (as opposed to jobs of the future). Rather than focusing on new job opportunities, Singapore should rethink the whole idea of work, how students could be more entrepreneurial, and how the gig economy will impact workers. This also calls for students to develop "horizontal skills" such as resilience, risk taking, the ability to exercise critical thinking and to learn new skills. As such, experimentation and entrepreneurship would need to start in schools. All schools should encourage students to do subjects or co-curricular activities they like to do and not what the school wants them to do. They should be encouraged not to fear failure, in the spirit of experimentation.

Job displacement will not be limited to those relating to repetitive tasks. With AI, no job in the economy is immune to digital disruption. Therefore, for students, soft skills are just as important as skills in their core training as that presents the difference between robo-advisors – already used in the finance industry – and the human worker.

It was suggested that all polytechnic and university graduates should be made to take up internships. At the moment, this is generally required only for courses related to the professions, like accountancy and engineering. The government could subsidise half the amount of the student's allowance as an incentive for companies to provide such internship schemes. This would also have the effect of injecting young workers into SMEs to help with their digitalisation journey.

INTERNATIONALISATION

When internationalising, it is generally advised that companies should recruit local talent in those markets as far as possible. In some cases however, Singaporean staff – especially those in critical or supervisorial positions – may be needed and indeed preferred. In the food and beverage industry for example, a Singaporean chef may be needed in the overseas restaurant outlet for reasons of branding and, at least in the initial stages, quality control. Therefore, any scheme that seeks to help companies internationalise should take into consideration the different manpower needs of different sectors.

For one panellist, the real problem hindering internationalisation for companies is the question of whom they can send overseas to take charge of their operations there. The challenge is compounded if the most suitable staff for such a purpose are parents with school-going children, who would usually insist on an allowance for their children to attend international schools. The government could consider a way to transfer the subsidy, which Singaporean school students already receive if they attend Singapore schools, to be used against the fees of international schools overseas in cases where parents are posted for long-term overseas work assignments. In this way, the government does not have to expend additional fiscal resources to support companies and their staff in their internationalisation ambitions.

With digitalisation, internationalisation can now take place from one's garage, rather than be limited to the traditional way of setting up overseas depots. In this regard, Singapore should create an online store like China's Taobao. The sentiment is that many online shoppers around the world would be attracted to see what Singapore sells, given the premium that the Singapore brand carries.

A number of panellists felt that Singapore should take the opportunity as ASEAN Chair for the year 2018 to further liberalise trade in the region, for instance, to spearhead the expeditious clearance of goods within Southeast Asia so that companies, particularly SMEs, can better take advantage of free trade agreements.

Singapore companies tend to look to Asia when internationalising, but one panellist felt they could be encouraged to look further abroad to newer markets like Latin America and Africa. Some were of the opinion that the Asian market, including China, is already crowded.

TAX MEASURES TO SPUR INTERNATIONALISATION

To help spur internationalisation among Singapore businesses, panellists raised some tax measures (Table 1) for consideration.

Table 1 **Tax measures to spur internationalisation**

- While it holds the ASEAN Chair, the Singapore government should work with regional tax authorities to publish a guide on common scenarios where there should be no withholding tax. This is a low-hanging fruit for SMEs, most of which are not aware of this. It would be even better if these could be made a safe harbour rule. Despite Singapore's extensive tax treaties, some businesses report that they face difficulties claiming even the most basic of tax benefits. This suggested move would help level the playing field for smaller businesses.

- To encourage businesses to go overseas, the government could introduce tax relief measures for them to offset losses from foreign operations against income earned in Singapore. As this would have the effect of reducing Singapore's tax base, the government could consider introducing measures to incentivise Singapore businesses with profitable foreign operations to bring income back, so as to optimise Singapore's tax base. For instance, some businesses with intellectual property functions already residing in Singapore are accounting for the income generated by these functions in the books of their overseas operations (example, Malaysia). As a result, such income is not brought to tax in Singapore. Incentives to encourage these businesses to review and streamline their tax positions could be in the form of an incremental tax rate, with lower rates being conditional on the business growing profits in Singapore, as well as creating jobs and increasing economic activities in Singapore.

CONCLUSION

Other issues raised by the panellists included the issue of low birth rates in Singapore, and how that could pose challenges for Singapore's future talent pool and for business, given the shrinking market size. There was a sense among some panellists that the government should revisit the population growth debate as soon as it is politically palatable to do so.

While noting the recent improvements in Singapore's economic growth, the Roundtable panellists were keenly aware of the need for Singapore businesses to keep innovating, and to internationalise. To this end, they made recommendations for the government's consideration, as well as for further strengthening the ITMs and preparing students for future jobs and skills. ISCA.

Loke Hoe Yeong is Manager, Insights & Intelligence, and Vernice Neo is Executive, Insights & Intelligence. The writers wish to thank Yap Lu Ling, Manager, Policy & Strategic Planning, and Yeo Shu Wen, Executive, Insights & Intelligence for their assistance in this article. They are all from ISCA.

BEYOND SINGAPORE

THE ASEAN EXPERIENCE: A NEW FRONTIER

Kelvin Kok, CA (Singapore), Senior Manager, EY UTW (Myanmar) Limited

BY
WANDA TAN

With the establishment of the ASEAN Economic Community, ASEAN's golden jubilee and Singapore assuming the ASEAN chair in 2018, Southeast Asia is certainly where the action is these days. As more ISCA members consider regional career opportunities, we are expanding our regular Member Profile column to include the personal experiences of ISCA members who are working in other ASEAN countries. In this article, CA (Singapore) Kelvin Kok, 33, Senior Manager of UTW (Myanmar) Limited (member firm of Ernst & Young Global Limited), shares his insights on working in Myanmar.

The 2010s have seen a whirlwind of change for Myanmar. After decades of authoritarian rule, the past decade has seen the gradual return of general elections and democratic governance. These political reforms triggered the removal of economic sanctions by the European Union (EU) and United States (US), opening up the country to the outside world. It was under these circumstances that Kelvin Kok moved to Yangon, the financial centre of Myanmar, in September 2015.

Mr Kok was then working as a Manager in EY Singapore's Assurance department when he was offered a secondment to UTW (Myanmar) Limited, a local CPA firm that had been admitted as a member firm of EY's global network in 2014. It didn't take him long to say yes as the opportunity was too good to pass up. "Since trade sanctions were lifted a few years ago, many foreign investors are now coming into Myanmar. It is a frontier market with tremendous growth potential," says Mr Kok. "The general perception of Myanmar is that it is behind the times. While this is true outside the major cities, within Yangon itself, changes are happening very fast. Amenities such as malls, supermarkets and restaurants are available. Although international chains like McDonald's and Starbucks, as well as efficient public transport, are still missing, hopefully this will change in the near future."

WEIGHING THE PROS AND CONS

In deciding whether to take up the overseas posting, Mr Kok considered the pros and cons of such a move. From a professional standpoint, the overseas

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"As ISCA gains greater recognition worldwide, it also becomes easier for members to find their dream job overseas. The ISCA membership serves as a form of accreditation."

exposure and the expanded job scope would be a huge boost for his career. "I was sent to Myanmar to assist with training, quality and business development, and to look after EY's clients – mostly MNCs across diverse industries – who have operations in Myanmar. This is drastically different from my portfolio at EY Singapore, which involved performing financial audits for private and listed entities in the real estate industry," he says.

Leaving Singapore for Myanmar – from a developed country to a less developed one – may be seen by many as tough and challenging, but Mr Kok argues that there are advantages to be gained too. "It is probably true that a young accounting professional will encounter more complex accounting issues in a developed country than in somewhere like Myanmar. However, there may be more opportunities to interact directly with CEOs and CFOs of businesses in the latter. One can then hone their communication skills and build a network of business partners."

"It is probably true that a young accounting professional will encounter more complex accounting issues in a developed country than in somewhere like Myanmar. However, there may be more opportunities to interact directly with CEOs and CFOs of businesses in the latter. One can then hone their communication skills and build a network of business partners."

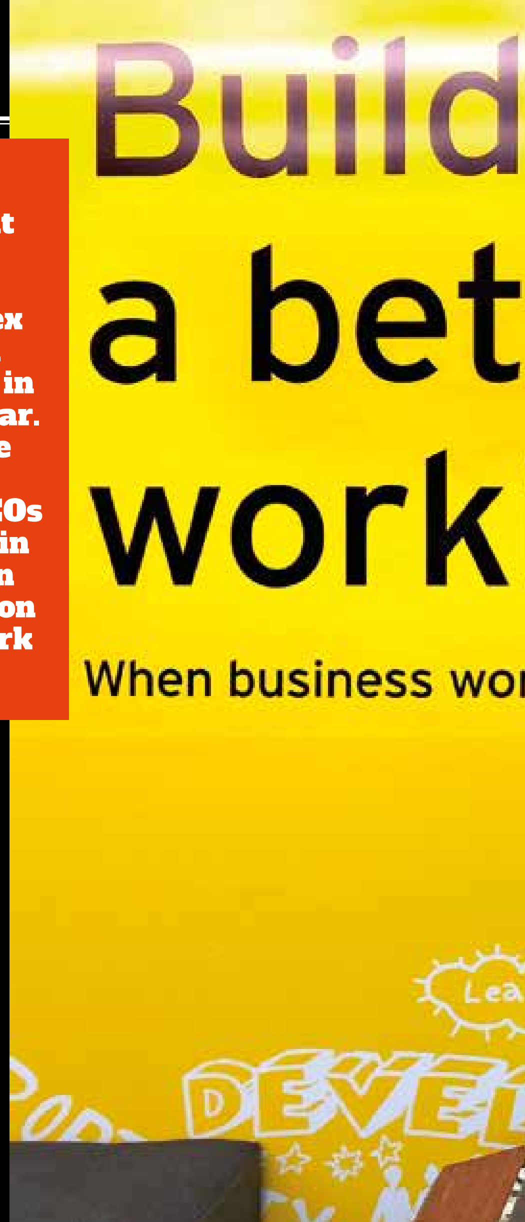
On a personal level, the thought of living in a new country and experiencing a different culture was incredibly exciting. Keeping in touch with family and friends would be easy through regular video calls and WhatsApp chat groups. And with Yangon just a three-hour plane ride from Singapore, and multiple daily flights between the two cities, Mr Kok had the option of going back to Singapore fairly often.

One potential drawback of leaving Singapore was that he might be out of touch or unfamiliar with Singapore's accounting scene when he eventually returns home. This is where Mr Kok's ISCA membership comes in handy. "Reading ISCA publications, as well as attending internal EY training sessions and seminars, keeps me connected and up-to-date with developments in Singapore," says Mr Kok, who was conferred the CA (Singapore) designation in 2015. "As ISCA gains greater recognition worldwide, it also becomes easier for members to find their dream job overseas. The ISCA membership serves as a form of accreditation."

IT'S NOT JUST ABOUT AUDIT

Mr Kok credits the support given by EY for ensuring a smooth transition to Myanmar. The firm provided housing, while his new colleagues at UTW (Myanmar) Ltd were very welcoming and showed him around Yangon. He is currently the only Singaporean in the 140-strong member firm, which also comprises Malaysians, Japanese, Filipinos and local Burmese.

His motivation for moving overseas was to learn and grow from new workplace challenges beyond audit work, and joining EY's office in Yangon did not disappoint. "We work across ASEAN and the Asia Pacific to put together teams catering to the needs of our clients. Let's say a client



whose headquarters is in Bangkok wants to invest in Myanmar. They will usually contact EY's office in Bangkok, and together, we will put together a proposal for the client, be it in technical advisory services or how

Career Milestones

2008	Bachelor of Accountancy, Nanyang Technological University
2008	Associate, EY Singapore
2010	Senior Associate, EY Singapore
2013	Manager, EY Singapore
2015	Manager, UTW (Myanmar) Limited
2016	Senior Manager, UTW (Myanmar) Limited

DID YOU KNOW?

Yangon is not the capital city of Myanmar, or to be more precise, it isn't anymore! In 2005, Myanmar's government moved the administrative capital to Nay Pyi Taw, a purpose-built city more than 300 kilometres north of Yangon. However, Yangon remains the country's largest city and commercial centre.

to structure investments in Myanmar," explains Mr Kok. Sometimes, cross-national teams may be formed. If there is a project requiring expertise that EY's Myanmar office does not possess, the staff will reach out to other EY offices abroad so as to deliver quality work for the client.

Being on the ground in Yangon has also helped Mr Kok understand the hidden costs of investing overseas, including tax and hiring costs. "Even though the tax rules here are not complicated, they are onerous. We have seen cases where other companies incurred penalties because they were not familiar with the tax legislation and missed the filing deadline. The hiring cost may also be higher than what investors expect because most companies are targeting the same group of people, namely, repatriates, or local Burmese with overseas experience who have returned to Myanmar."

One of the toughest challenges Mr Kok faced was adapting to the slower pace of work in Myanmar, which meant having to be patient and realistic in managing the expectations of clients. Understanding the Burmese language is also a struggle for him, but fortunately English is the lingua franca at work. "Most of our clients are MNCs and our staff are fluent in English. If needed, my Burmese colleagues act as my translators," says Mr Kok, who has picked up some basic Burmese phrases – like how to order food – from them.

FEELING RIGHT AT HOME

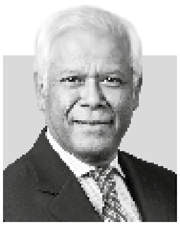
Nearly two-and-a-half years after first setting foot in Myanmar, Mr Kok feels at home here. The work environment is challenging yet rewarding, while life outside the office, with colleagues or fellow members of the Singapore Association of Myanmar, is equally fun. "There is quite a sizeable community of Singaporeans working and living in Myanmar. Golf is a popular pastime among them; I have yet to try it myself, but I plan to soon," says Mr Kok. A personal highlight for him was getting to meet Prime Minister Lee Hsien Loong at a reception, along with other compatriots, during the leader's official visit to Yangon in 2016.

When questioned about his future, Mr Kok – who flies to Singapore once a month to visit his family and friends – reveals that he will likely work in Yangon for a few more years and then return to Singapore. However, he is not ruling out a second stint abroad further down the line. "As accounting professionals, we should continually challenge ourselves to learn new things. Working in a different market, and experiencing a different culture, is one of the best ways to do that." ISCA

Wanda Tan is a contributing writer.

BRAVE NEW WORLD

How Auditor Responsibilities Are Changing



BY
FAYEZ CHOUDHURY

Consider this situation – during an external audit, the audit manager discovers a serious environmental regulation breach, supported by unequivocal evidence. The auditors take the issue to the client, who admits the infraction and subsequently makes a significant provision and related disclosures in the financial statements to avoid material misstatement, but does not remediate the severe environmental consequences. The issue is also raised with the Audit Committee, which agrees to the financial statement actions.

While the environmental impact remains inadequately addressed, the company's financial statements are now free from material misstatement, and an unmodified opinion is issued in the independent auditor's report. Neither the auditor nor management is required to take the issue further.

Behaviour and actions like these have placed businesses under increased public scrutiny and criticism in recent years. High-profile corporate scandals have led to considerable shareholder and wider stakeholder losses. Consequently, public trust in business has fallen sharply – and auditors have not been exempt.

Despite being bound by the ethical duty of confidentiality, auditors have been criticised in the past for failure to report significant client breaches of laws and regulations.

CONFIDENTIALITY VS THE RIGHT THING TO DO

We are now entering a new era. On 15 July 2017, an updated Code of Ethics for Professional Accountants for the global accountancy profession (the Code) went into effect. In jurisdictions that have adopted the Code, professional accountants – both within companies and in public practice – are subject to a new global standard on addressing and reporting suspected non-compliance with laws and regulations (NOCLAR). The standard is also in effect for the group of the largest 28 accounting firm networks in the world with respect to transnational audits.

NOCLAR has been more than six years in the making. The International Ethics Standards Board for Accountants, which issues the Code, consulted extensively with a wide range of global stakeholders. The resulting standard addresses the challenge faced by auditors and other professional accountants – balancing their duty of confidentiality with their duty to act in the public interest when they become aware of suspected non-compliance.

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NOCLAR provides a "new normal" for auditor whistleblowing and the basis upon which all future non-compliance issues will be assessed.

PHOTO SHUTTERSTOCK

Previously, auditors could simply resign upon uncovering client non-compliance issues, thus maintaining confidentiality but not protecting the public interest. This changes with NOCLAR – confidentiality under the Code now cannot override the public interest in all circumstances.

NOCLAR provides a "new normal" for auditor whistleblowing and the basis upon which all future non-compliance issues will be assessed. It also provides a new client interaction framework for auditors, and a guide for when they report suspected or actual non-compliance to relevant authorities.

IN THE PUBLIC'S BEST INTEREST

NOCLAR addresses acts of omission or commission, intentional or unintentional, committed by a client or an employer, or their employees or contractors, contrary to prevailing laws or regulations.

Examples of non-compliance that can be of public interest under NOCLAR include bribery, money laundering, proceeds of crime, fraud, corruption and public health and safety. Also included are issues increasingly important to stakeholders, such as environmental protection, taxation and data protection.

Given the stream of high-profile non-compliance in recent years, auditors must use their professional judgement and apply the NOCLAR framework to decide how best to respond to uncovered problems.

UNCOVERING AN ISSUE: WHEN TO RESPOND?

First, a response is required – turning a "blind eye" is not an option. Auditors need to heed laws already in place, as NOCLAR does not override those laws. Existing laws could include client confidentiality laws, reporting obligations or laws guarding against "tipping off". At the outset, NOCLAR requires auditors to establish what their obligations are under such laws and comply with them.

While auditors are not legal experts, NOCLAR guides them to raise the issue with the client in order to fully understand the non-compliance, and to consult with relevant professional organisations or seek legal advice at the appropriate junctures as they navigate the contours of the issue.

RESPONDING VS REPORTING

Depending on the nature of the non-compliance, auditors' response could stop at management tackling the problem. However, if there are substantial public and/or stakeholder harm considerations, non-compliance could also be reported to a public authority. One of NOCLAR's key aspects is its clear reporting structure, giving auditors a "how and when" issue escalation framework.

NOCLAR calibrates the auditor's

PHOTO SHUTTERSTOCK

> ★ **NOCLAR helps protect auditors and professional accountants from wider criticism and ultimately enhances public trust in the profession.**

professional judgement between maintaining client confidentiality and reporting suspected non-compliance to the right public authority, always applying an objective lens in deciding whether to take further action.

TELLING THE WORLD?

Not at all. Reporting an instance of non-compliance is focused on notifying the appropriate authority. NOCLAR provides a path for auditors to navigate various – often complex – considerations.

If the client has not appropriately addressed an issue, auditors must make delicate judgements:

1. Is there credible evidence to support their findings?
2. Would the non-compliance likely cause substantial harm? Auditors must think beyond shareholders and assess the impact on broader stakeholders such as employees, creditors and the public.
3. Are there legal prohibitions on reporting? If so, it does not mean going back to the drawing board. Auditors are guided to decide whether to take other action, including resigning from the client relationship, if not prohibited by law.
4. If reporting is the right thing to do, to which appropriate authority? Is there legal protection? And are there any threats to the auditors' physical safety or that of others?

JOB DONE?

Reporting to authorities is not the end for suspected non-compliance. For auditors, litigation has long been an on-going risk. Should their logic unravel on investigation, they could be held liable, and if they decide not to report, they could be held accountable if public harm was caused. However, to mitigate those risks, NOCLAR stresses that auditors must act in good faith and document their judgements and actions.

NOCLAR helps protect auditors and professional accountants from wider criticism and ultimately enhances public trust in the profession. As NOCLAR becomes inextricably woven into the profession's fabric, clarity on how to respond to non-compliance will increase – and further enhance how businesses and auditors act to protect the public interest. ISCA

Fayez Choudhury is Chief Executive Officer, International Federation of Accountants.
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DON'S COLUMN

STRATEGIC CHANGE

It's All In The Timing

BY
QUY HUY

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At the end of the 20th century, perhaps no American business leader was more admired – and emulated – than former General Electric (GE) CEO Jack Welch. He became legendary for almost single-handedly remaking the massive Boston-based conglomerate into a global leader. During his 20-year tenure which ended in 2001, Welch presided over a 40-fold increase in share price and vapourised tens of thousands of jobs, earning him the nickname "Neutron Jack".

Today, however, Welch's formidable fingerprints are largely being wiped away by yet another round of restructuring, initiated by his successor Jeffrey Immelt. His legacy turned out not to be as lasting as previously thought.

While giving Welch his due as an icon of American business, it may be beneficial to cast a less worshipful eye over his accomplishments. His reorganisation of GE, for example, took a full eight years, a significant amount of time even considering GE's size. By the end, the workforce was left dazed and managers were exhausted. The entire company had become dependent on the vision and charisma of one strong leader – the very opposite of a sustainable strategy.

THE LEVELS OF CHANGE

Back in 2001, while Welch was still widely admired by corporate chieftains and business school professors, I used his case to illustrate how even the most visionary change managers often suffer from a lack of versatility. In an "Academy of Management Review" article titled "Time, Temporal Capability, and Planned Change", I argued that it's not always possible to change an entire global company by simply scaling up the methods you would use to transform, say, a smaller organisation or a department. Because they impact so many different levels of organisational activity, more ambitious change management programmes require a more sophisticated strategic repertoire.

They also require managers to balance a less literal and more subjective concept of time, with their customary focus on "clock time". Human beings' temporal awareness includes a personal, subjective sense of continuity between past, present and anticipated future. If that internal flow of events is crudely interrupted – in this case, by changes to the tangible work environment such as formal organisational structures – and nothing promises to restore it, we tend to resist. Even the most obviously necessary improvements will meet forceful opposition.

Moreover, changing how a large organisation operates will usually necessitate some amount of attention to

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... it's not always possible to change an entire global company by simply scaling up the methods you would use to transform, say, a smaller organisation or a department.

Drawing their peers into candid yet sympathetic conversations, they (influential employees) demonstrate new ways of relating while encouraging interlocutors to feel empowered and supported.

the intangibles – employees' beliefs and social habits. For example, cultivating more entrepreneurial behaviour and cross-silo communication is a common goal of strategic change. Such delicate efforts are not easily encompassed within a calendar-driven time horizon. Instead, managers must wait patiently for windows of opportunity to expand, bit by bit, the boundaries of their employees' comfort zone.

FOUR TYPES OF INTERVENTION

Taking all this into account, I have identified four distinct categories of intervention with which change managers should be familiar. Each is uniquely designed to produce a particular change outcome, either tangible or intangible. Deploying them in tandem requires several temporal perspectives, and varying degrees of patience.

1 The *commanding* intervention

This was Jack Welch's specialty. In this mode, a small group of senior leaders drives change at a galloping pace. Those at the top expect compliance rather than consensus from their subordinates. They often invoke threats from the external environment as justification for the rapid upheaval. The underlying assumption that the organisation's survival is at stake produces a high-urgency, short-term focus. Success is defined in purely quantitative terms – achieving the maximum improvement in economic performance within the smallest amount of quantifiable time (weeks, months, etc).

This autocratic approach, however, is unlikely to accomplish lasting qualitative change in the culture, mindset or habits of employees. Commanding works best when the aim is to effect change in tangible properties, such as people (example, downsizing) or formal structures and systems (example, divestment).

2 The *engineering* intervention

It concentrates on redesigning and reprogramming work processes, example, as part of digitalisation. Skilled organisational designers are the primary change agents here. They guide and develop employees' task skills in order to improve clock speed, productivity and efficiency. Success is, again, measured in quantitative terms (that is, clock time and economic performance), but ideally with a less rigid short-term focus. Managers must allow time for employees to adjust to new ways of working as well as for cycles of revision and refinement to take place. Also, it takes time for change agents to engender trust, such that employees will share tacit knowledge about workplace tasks with them. The engineering intervention should thus proceed at a moderately fast pace – a canter instead of a gallop.

3 The *teaching* intervention

It is designed to engage employees in the often-upsetting process of reexamining and, where appropriate, reconstituting their core beliefs.

PHOTO SHUTTERSTOCK

Usually, this intervention is prompted by perceived organisational ineffectiveness that can be traced to employees' unquestioned belief systems. Very often, professionals from outside the organisation – such as trained process consultants, coaches and psychoanalysts – are best-equipped to take the lead. An external expert will be more sensitive to problematic assumptions that are deep-seated within an organisation's culture.

Individuals should have some latitude in determining the pace of change they are willing to accept. If the process is rushed, employees may not have sufficient time to make sense of what is happening around them. They may then accept change only grudgingly, perhaps harbouring hopes of sabotage. Therefore, teaching demands a time perspective that is moderately long.

4 The *socialising* intervention

Its purpose is to improve the quality of interpersonal relationships within the organisation. Socialising is best done in a bottom-up way, spearheaded by influential employees at all levels who, having made the decision to change themselves, act as role models for others. Drawing their peers into candid yet sympathetic conversations, they demonstrate new ways of relating while encouraging interlocutors to feel empowered and supported.

In doing so, they reconfigure social time, that is, the recurrent rituals and social patterns that give meaning to organisational life. This restores much-needed stability during periods of large-scale change. However, it is anything but quick. Only under prevailing conditions of absolute authenticity and implicit trust can change agents build (or rebuild) social networks with staying power. The hurrying hand of authority can spoil the quiet, patient work.

BACK TO "NEUTRON JACK"

Circling back to Jack Welch, we can now see the flaw in the celebrated leader's dominant change approach. Despite talking a great deal about cultural change at GE, Welch never seemed quite comfortable with a "softer", socialising style. He often failed to anticipate normal emotional responses to his actions, as when he held workshops with low-level employees, not-so-subtly encouraging them to challenge their direct supervisors – the middle managers. As he later admitted, Welch thereby lost the sorely-needed loyalty of many capable managers.

Welch, for all his extraordinary capabilities, was a fairly typical change manager in that he leaned too heavily on the commanding approach. He also prioritised tangibles over intangibles. He was at his best when pushing forward initiatives with quantifiable and fairly immediate impact, such as spinning off hundreds of underperforming businesses. His impatience with the intangible – the qualitative rather than the quantitative – caused blunders that blot an otherwise outstanding legacy. He will probably never shake the nickname he says he always hated. Whatever his intentions, there will always be those who delight in calling him "Neutron Jack".

Although I have used the illuminating case of Jack Welch, you can no doubt analyse your current leaders and infer how versatile they are in using all four change approaches, depending on the needs of various situations. ISCA

Quy Huy is Professor of Strategic Management, INSEAD. He is also Director of Strategy Execution Programme, part of INSEAD's suite of Executive Development Programmes. This article was first published by INSEAD Knowledge. Reproduced with permission.

TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ISCA WITHDRAWS RAPS 8 AND 10

ISCA has withdrawn Recommended Accounting Practice (RAP) 8: Foreign Income Not Remitted to Singapore and RAP 10: FRS 103, Business Combinations – Clarification of Transitional Provisions, for annual reporting periods beginning on or after 1 January 2018. With the withdrawal of RAP 8, entities are required to exercise their judgement in the accounting for the deferred tax liability in respect of foreign-sourced income not remitted to Singapore in accordance with the requirements in FRS 12: Income Taxes and other relevant standards.

For more information, please visit www.isca.org.sg/tkc/fr/financial-reporting-standards/singapore/recommended-accounting-practices-rap/

IASB ISSUES ANNUAL IMPROVEMENTS TO IFRSS

IASB has issued narrow-scope amendments to IFRS 3: Business Combinations, IFRS 11: Joint Arrangements, IAS 12: Income Taxes and IAS 23: Borrowing Costs. These amendments are effective from 1 January 2019, with early application permitted.

For more information, please visit www.ifrs.org/news-and-events/2017/12/international-accounting-standards-board-issues-annual-improvements-to-ifrs-standards/

IFRS 17: INSURANCE CONTRACTS – HELP IS AT HAND

In 2021, insurers will apply the new accounting requirements in IFRS 17: Insurance Contracts. Implementing IFRS 17 represents fundamental changes for some insurers. Applying the requirements in IFRS 17 will prompt changes in insurers' operations, for example, many insurers may have to upgrade their data, systems and processes.

IASB recognises that implementing IFRS 17 will be challenging, so the following tools are available to ease the way:

- Letterbox;
- Webcasts and Webinars;
- Transition Resource Group;
- Events, and
- Investor Education

For more information, please visit www.ifrs.org/news-and-events/2017/12/ifrs-17-help-is-at-hand/

AUDITING AND ASSURANCE

IAASB-WBCSD COLLABORATION STRENGTHENS SR

The collaboration supports World Business Council for Sustainable Development's "Redefining Value" programme and its objective to incorporate sustainability reporting (SR) within mainstream reporting, while ensuring external reporting follows the applicable IAASB international assurance standards (or their national equivalents). This consistency will champion the road to create greater alignment across reporting frameworks and build trust and confidence in SR.

For more information, please visit www.ifac.org/news-events/2017-11/iaasb-and-wbcsd-s-new-collaboration-leads-further-sustainability-and-integrated

IFAC PUBLISHES INITIAL VIEWS ON MONITORING GROUP CONSULTATION PAPER

IFAC published its initial views on the Monitoring Group's Consultation Paper (CP) on changes to the international audit and ethics standard-setting process. While IFAC agrees with some aspects of the CP, including the introduction of a multi-stakeholder model, broad geographical representation, sufficient checks and balances, and a review of the nominations process, it has concerns about far-reaching proposals that would fundamentally dismantle the current model.

For more information, please visit www.ifac.org/news-events/2017-12/ifac-publishes-initial-views-monitoring-group-consultation-paper

REGULATORY

ACRA'S APB ON COMPLIANCE WITH EPS ON AML AND CFT

This Audit Practice Bulletin (APB) provides guidance and sets out ACRA's expectations of the firms' implementation of their Internal Policies, Procedures and Controls to address money laundering and terrorist financing concerns. The APB also sets out the timeline given to the firms for compliance with Ethics Pronouncement (EP) 200 and the consequences of non-compliance with EP 200.

For more information, please visit www.acra.gov.sg/components/templates/newsDetails.aspx?id=cce0674b-8deb-4aba-ba4a-756c0a39fb38

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Stone Forest IT

Globally Connected RSM

Multinational Insurance Firm Manages Financial Reporting with Ease

CHALLENGE

A multinational insurance firm's Singapore-based Asia-Pacific headquarters had to manually consolidate voluminous financial data from branch offices in the region for financial reporting. This was a significant challenge due to differences in local accounting systems between the branch offices. Seeking a solution to this highly tedious process, the firm turned to Stone Forest IT (SFIT) for a solution.

SOLUTION

After consulting with the client, SFIT proposed a customised Sage 300 solution with the following features:

- Standard chart of accounts for all branch offices in the region, facilitating the process of presenting all financial data according to reporting requirements in Singapore
- Standard procedures relating to the accounts receivable, accounts payable, and general ledger functions across all branch offices
- Automate preparation of fixed assets register
- Delegate access rights to employees based on their roles
- Incorporate local tax reporting requirements into accounting system to ensure compliance

RESULTS

With the successful implementation, the client enjoyed the following benefits:

- Ease of financial reporting
- Greater productivity
- No risk of human errors arising from manual consolidation of financial data from different branch offices, ensuring accuracy in financial reporting
- Peace of mind over information security and tax compliance

SFIT leverages its vast experience in implementing customised Sage 300 solutions to help businesses meet their diverse needs.

HIGHLIGHTS

Industry:
Financial Services

Location:
Singapore

Solution:
Sage 300

Results:
- Ease of financial reporting
- Greater productivity
- No risk of human errors
- Peace of mind over information security and tax compliance

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sage Premier Partner

BETTER COMMUNICATION IN FINANCIAL REPORTING

Making Disclosures More Meaningful

BY IFRS FOUNDATION, WITH ADDITIONAL REPORTING BY CORPORATE REPORTING & ETHICS, ISCA

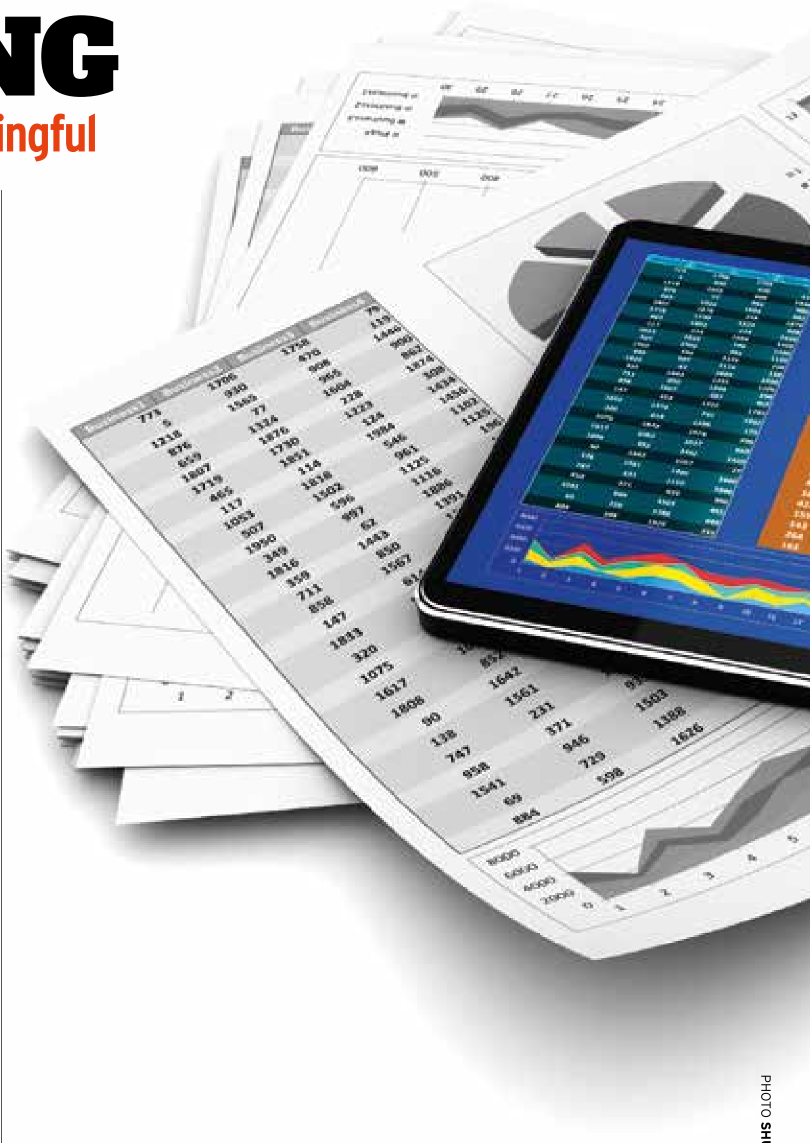


PHOTO SHUTTERSTOCK

In 2015, the International Accounting Standards Board (IASB) conducted a consultation on its five-year workplan (2017-2021). Based on feedback received, IASB has set the central theme for its activities as better communication in financial statements and aims to improve the communication effectiveness of financial statements by taking a fresh look at how financial information is presented and grouped together. Several projects were then identified by IASB which support better communication in financial reporting. One of these projects is the Principles of Disclosure that focuses on developing disclosure principles to help companies communicate information more effectively to users of financial statements. As part of this project, the IASB published the Discussion Paper, "Disclosure Initiative – Principles of Disclosure" (the Discussion Paper), in March 2017.

In October 2017, IASB published a case study report titled "Better Communication in Financial Reporting", showing how companies from different parts of the world have improved communication in their IFRS financial statements. IASB Chair Hans Hoogervorst had said in the foreword that "Financial statements are intended to provide investors with information that is useful for making investment decisions.

The IASB recognises, however, that companies can find it challenging to provide that information".

In this report, six companies from varied industries shared the process they have gone through to improve disclosures in the notes to their IFRS financial statements. Excerpts from the companies' financial statements were used to illustrate the changes and also the application of the principles of effective communication suggested in the IASB's Discussion Paper.[1] The following is one case study on Wesfarmers extracted from this report.

For more case studies on how companies improve the communication of information in their financial statements, the report "Better Communication in Financial Reporting" can be accessed at www.ifrs.org/news-and-events/2017/10/ifrs-foundation-publishes-a-case-study-report-on-better-communication/.

WESFARMERS LIMITED

Wesfarmers Limited is an Australian conglomerate whose operations span a retail division with businesses in supermarkets, home improvement, office supplies and department stores, and an industrial division with businesses in chemicals, energy and fertilisers, industrial and safety products, and coal. The company is listed on the Australian Securities Exchange.

TRIGGERS OF CHANGE

Historically, Wesfarmers' financial statements took a long time to prepare,

The team believes that a series of small changes made throughout the financial statements, highlighting relevant matters and communicating them clearly and concisely, has made a huge impact overall.

[1] The Discussion Paper, "Disclosure Initiative – Principles of Disclosure", suggests seven principles of effective communication. According to these principles, information provided should be entity-specific, simple and direct, better organised, better linked, better formatted, free of duplication and should result in enhanced comparability. Please refer to www.ifrs.org/projects/work-plan/principles-of-disclosure/comment-letters-projects/dp-principles-of-disclosure/ for the Discussion Paper.

due in part to the company's diverse portfolio of businesses. The resulting financial statements were long and filled with technical jargon that attracted a lot of questions from investors who struggled to find or understand the information they needed. In 2014, the company celebrated its centenary year and the 30th anniversary of its public listing. This prompted senior managers to examine how they could improve the communication in the company's financial statements. Wesfarmers published its first streamlined financial statements for the year ended 30 June 2014.

THE PROCESS

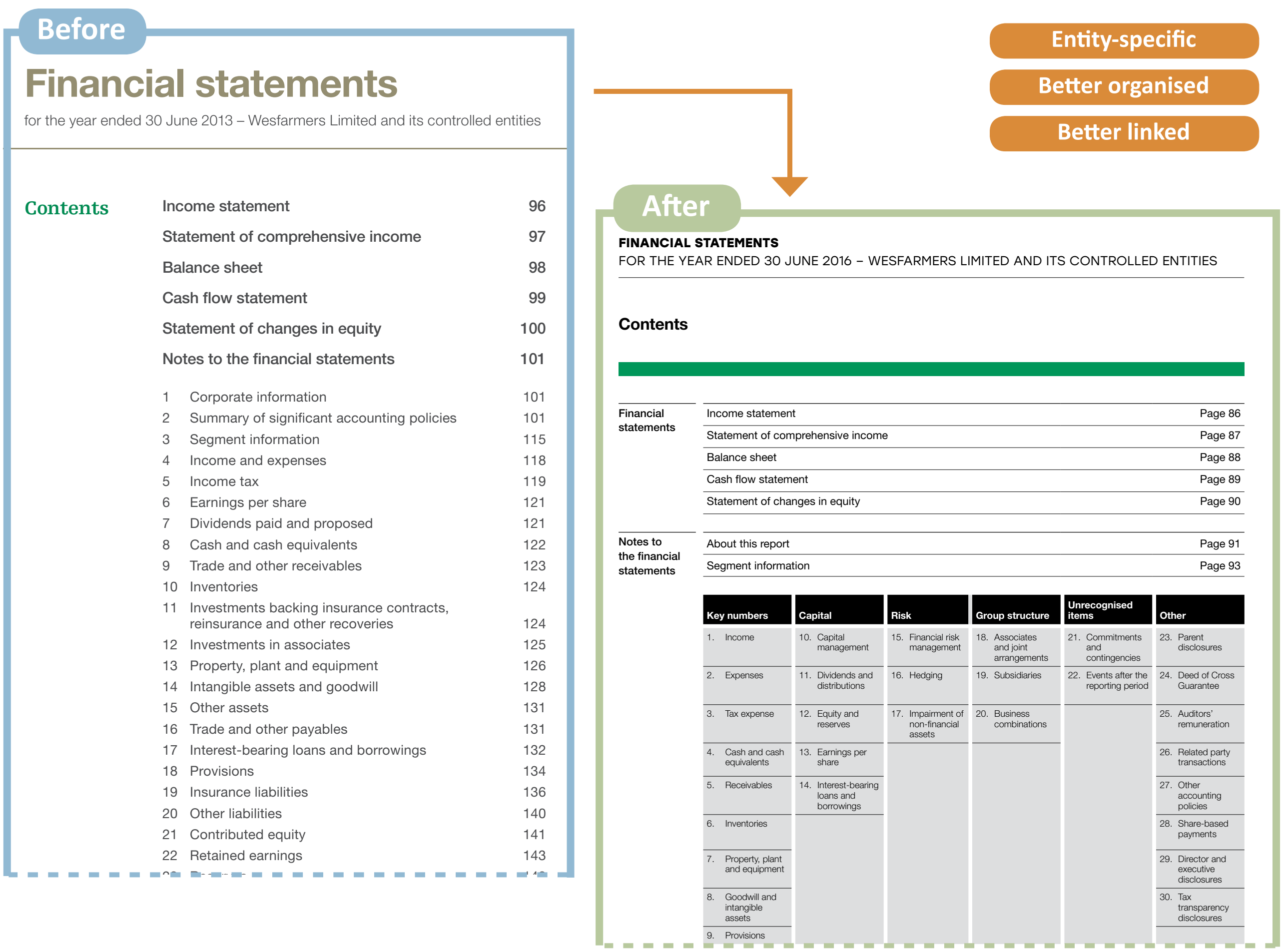
Wesfarmers started the process of streamlining its financial statements in October 2013. A team comprising senior managers and staff developed draft versions of the streamlined set of financial statements. This involved rephrasing, removing and relocating information. Different versions were presented to various departments within the company, as well as its audit and risk committee. Throughout the process, the team maintained an open dialogue with committee members and departments, addressing questions about proposed changes. To reduce risks, senior managers decided the development of the streamlined set of financial statements would run parallel with the preparation of the customary financial statements.

To ensure that the streamlined financial statements addressed the information needs of Wesfarmers' investors, the team reviewed queries sent to the Investor Relations team, considered questions raised at annual general meetings and looked at feedback received during discussions with institutional investors, retail investors' representative bodies, regulators and auditors.

RESTRUCTURING THE NOTES

The team grouped the notes into six key sections – Key numbers, Capital, Risk, Group structure, Unrecognised items, and Other. This aimed to help

Figure 1



stakeholders better understand the structure and location of information in the company's financial statements. The excerpts from the 2013 and 2016 financial statements in Figure 1 illustrate this change.

The team also added a section called "About this report" immediately after the primary financial statements[2]. In this section, Wesfarmers explained the basis of preparation of its consolidated financial statements, identified where information about key judgements and estimates could be found and described how information in the notes was organised (Figure 2).

The section "About this report" also included information about the most important transactions during the reporting period in order to give them greater prominence in the financial statements (Figure 3).

COMMUNICATING RELEVANT INFORMATION IN A CONCISE AND CLEAR MANNER

The team believes that a series of small changes made throughout the financial statements, highlighting relevant matters and communicating them clearly and concisely, has made a huge impact overall. The following paragraphs describe some of these changes.

The team relocated information about the significant accounting policies, judgements and estimates into the relevant notes. The excerpts from the Inventories note in Figure 4 illustrate these changes.

Figure 2

Simple and direct

Better linked

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

Page		
96	Note 1	Income
98	Note 3	Tax expense
100	Note 6	Inventories
101	Note 7	Property, plant and equipment
102	Note 8	Goodwill and intangible assets
103	Note 9	Provisions
118	Note 17	Impairment of non-financial assets
120	Note 18	Associates and joint arrangements

Figure 3

Better organised

Significant items in the current reporting period

Funding activities

Borrowings - Proceeds

During February 2016, Wesfarmers established three-year bank facilities totalling £515 million and £115 million of one-year facilities (totalling £630 million or A$1,135 million) to fund the acquisition and provide working capital to Homebase Limited.

In June 2016, Wesfarmers established A$500 million of new three-year bank facilities. Other bank facilities held with Wesfarmers' relationship banks that matured during the financial year were renewed and extended for periods ranging from one year to three years, in line with original facility tenors.

Acquisition

Home Improvement: on 27 February 2016, Wesfarmers' acquisition of the Homebase business for £340 million (A$665 million) was completed. Homebase is the second largest home improvement and garden retailer in the United Kingdom (UK) and Republic of Ireland. The Homebase acquisition delivers an established and scalable platform with stores that are the right size for the UK market and a low-cost operating model. Homebase will be reinvigorated to build a new Bunnings-branded business over three to five years. Refer to note 20 for further details on the acquisition.

Figure 4

Before

10: Inventories

	CONSOLIDATED 2013 $m	CONSOLIDATED 2012 $m
Raw materials	**103**	92
Work in progress	**27**	39
Finished goods	**4,917**	4,875
Total inventories at the lower of cost and net realisable value	**5,047**	5,006

Inventories recognised as an expense for the year ended 30 June 2013 totalled $42,218 million (2012: $40,987 million).

Entity-specific

Better linked

After

6. Inventories

	CONSOLIDATED 2016 $m	CONSOLIDATED 2015 $m
Raw materials	**92**	112
Work in progress	**18**	55
Finished goods	**6,150**	5,330
	6,260	5,497

Inventories recognised as an expense for the year ended 30 June 2016 totalled $48,182 million (2015: $45,682 million).

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell.

Key estimate: net realisable value

The key assumptions, which require the use of management judgement, are the variables affecting costs recognised in bringing the inventory to their location and condition for sale, estimated costs to sell and the expected selling price. These key assumptions are reviewed at least annually. The total expense relating to inventory writedowns during the year was $50 million (2015: $46 million). Any reasonably possible change in the estimate is unlikely to have a material impact.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- *Raw materials*: purchase cost on a weighted average basis.
- *Manufactured finished goods and work in progress*: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. Work in progress also includes run-of-mine coal stocks for Resources, consisting of production costs of drilling, blasting and overburden removal.
- *Retail and wholesale merchandise finished goods*: purchase cost on a weighted average basis, after deducting any settlement discounts, supplier rebates and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are accounted for as a reduction in the cost of inventory and recognised in the income statement when the inventory is sold.

Key estimate: supplier rebates

The recognition of supplier rebates in the income statement requires management to estimate both the volume of purchases that will be made during a period of time and the related product that was sold and remains in inventory at reporting date. Management's estimates are based on existing and forecast inventory turnover levels and sales. Reasonably possible changes in these estimates are unlikely to have a material impact.

To reduce risks, senior managers decided the development of the streamlined set of financial statements would run parallel with the preparation of the customary financial statements.

[2] **The Discussion Paper suggests using the term "primary financial statements" for the following statements: financial position, financial performance, changes in equity and cash flows.**

The team gathered feedback from analysts and investors to understand what information they found relevant when analysing Wesfarmers and similar companies. As a result, the team learnt that investors had not raised questions about the company's pension plan in recent times. In addition, Wesfarmers assessed the information arising from the pension plan, and concluded that it was immaterial and that there was no need for a separate pension note.

The team also merged disclosures that were previously presented in separate notes to help investors understand the relationship between different pieces of information. For example, the 2013 financial statements presented disclosures about contributed equity, retained earnings and reserves in separate notes. The 2016 financial statements combined information on these three notes into one note called "Equity and reserves" (Figure 5).

Figure 5

Before

Better linked

21: Contributed equity

	CONSOLIDATED 2013 $m	2012 $m
Issued capital – ordinary shares (a)	**23,290**	23,286
Reserved shares (b)	**(26)**	(31)
	23,264	23,255

22: Retained earnings

	CONSOLIDATED 2013 $m	2012 $m
Balance as at 1 July	**2,103**	1,774
Net profit	**2,261**	2,126
Dividends	**(1,990)**	(1,793)
Actuarial gain/(loss) on defined benefit plan, net of tax	**1**	(4)
Balance as at 30 June	**2,375**	2,103

23: Reserves

CONSOLIDATED	Restructure tax reserve $m	Capital reserve $m	Foreign currency translation reserve $m	Hedging reserve $m	Available-for-sale reserve $m	Share-based payments reserve	Total $m
Balance at 1 July 2011	150	24	(59)	189	6	-	310
Gains/(losses) on financial instruments recognised in equity	-	-	-	55	(7)	-	48
Tax effect of revaluation	-	-	-	(17)	2	-	(15)
Realised gains transferred to b	-	-	-	(92)	-	-	(92)
Share of associates' reserv							
Tax effect of transfers							
Currency translation differe							
Balance at 30 June 2012							

After

12. Equity and reserves (continued)

The nature of the Group's contributed equity

Ordinary shares are fully-paid and have no par value. They carry one vote per share and the right to dividends. They bear no special terms or conditions affecting income or capital entitlements of the shareholders and are classified as equity.

Reserved shares are ordinary shares that have been repurchased by the company and are being held for future use. They include employee reserved shares, which are shares issued to employees under the share loan plan. Once the share loan has been paid in full, they are converted to ordinary shares and issued to the employee.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. There are no shares authorised for issue that have not been issued at reporting date.

CONSOLIDATED	Retained earnings $m	Restructure tax reserve $m	Capital reserve $m	Foreign currency translation reserve $m	Cash flow hedge reserve $m	Financial assets reserve $m	Share-based payments reserve $m
Balance at 1 July 2014	2,901	150	24	50	167	5	12
Net profit	2,440	-	-	-	-	-	-
Dividends	(2,600)	-	-	-	-	-	-
Remeasurement gain on defined benefit plan	1	-	-	-	-	-	-
Net gain on financial instruments recognised in equity	-	-	-	-	(49)	-	-
Realised losses transferred to balance sheet/net profit	-	-	-	-	(206)	-	-
Share of associates and joint venture reserve	-	-	-	-	(13)	-	-
Tax effect of transfers and revaluations	-	-	-	-	86	-	-
Currency translation differences	-	-	-	(11)	-	-	-
Share-based payment transactions	-	-	-	-	-	-	11
Balance at 30 June 2015 and 1 July 2015	**2,742**	**150**	**24**	**39**	**(15)**	**5**	**23**

Wesfarmers redrafted the description of new and amended accounting standards using simpler language and formatting that helped investors understand their relevance to the company. The excerpts from the 2013 and 2016 financial statements in Figure 6 illustrate this change.

In addition to the changes above, the team also introduced the use of:

- Symbols to refer to information placed in other parts of the financial statements, thus avoiding repetition (Figure 7), and
- Charts and other graphics to present data-intensive information more clearly (Figure 8).

KEY BENEFITS, REACTIONS AND CHALLENGES

The process produced clearer and more concise financial statements, which resulted in a reduction in the number of questions addressed to the Investor Relations team. Questions that were asked were more focused than those raised before the streamlining process was undertaken. Wesfarmers received positive feedback from retail investors immediately after the first set of its streamlined financial statements was released. Wesfarmers also noted that the process has attracted good reviews from the company's auditors, who say they find the streamlined financial statements easier to read and review.

The process has also led to a significant reduction in the amount of time spent preparing financial statements. As a direct consequence, Wesfarmers' accounting staff are available to work on other internal projects, and better support the company's financial management function.

The major challenge for Wesfarmers is maintaining a degree of comparability to financial information provided by other companies, in order to enable investors to benchmark the company against its competitors.

Wesfarmers redrafted the description of new and amended accounting standards using simpler language and formatting that helped investors understand their relevance to the company.

Figure 6

Before

(ai) New and revised Accounting Standards and Interpretations

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2012 to the Group have been adopted, including:

– Amendments to AASB 1048 I

The Standard identifies the Au classifies them into two group IASB interpretation and those apply each relevant Australian statements that are within the

– Amendments to AASB 2010- *Accounting Standards - Defer Assets*

These amendments address t on investment property meas rebuttable presumption that d measured at fair value should

Better formatted

Simple and direct

After

(b) New and amended standards and interpretations issued but not yet effective

The following standards, amendments to standards and interpretations are relevant to current operations. They adoption but have not been applied by the Group in this financial report.

Reference	Description
The effects of the following Standards are not expected to be material:	
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.
AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation*	The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of an intangible asset.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	This Standard makes amendments to a number of Australian Accounting Standards as a result of AASB 9 *Financial Instruments* (December 2014).

Figure 7

Free of duplication

19. Subsidiaries (continued)

Entity acquired/incorporated during the year.	@
Entity dissolved/deregistered during the year.	~
Audited by firms of Ernst & Young International.	#
Audited by other firms of accountants.	<
An ASIC-approved Deed of Cross Guarantee has been entered into by Wesfarmers Limited and these entities. Refer note 24 for further details.	+
All subsidiaries are incorporated in Australia unless identified with one of the following symbols:	
Bermuda	▲
Botswana	◢
Cayman Islands	▽
China	♣
Hong Kong	◆
India	●
Indonesia	♥
New Zealand	■
Portugal	❖
Republic of Ireland	◘

19. Subsidiaries (continued)

ENTITY	2016 %	2015 %
Protex Healthcare (Aus) Pty Ltd	100	100
PT Blackwoods Indonesia ♥	100	100
PT Greencap NAA Indonesia ♥ ~	-	100
Quickinstant Limited @ ▲	100	-
R & N Palmer Pty Ltd	100	100
Rapid Evacuation Training Services Pty Ltd	100	100
Relationship Services Pty Ltd	100	100
Retail Australia Consortium Pty Ltd	100	100
Retail Investments Pty Ltd	100	100

Figure 8

Better formatted

Capital expenditure by segment for FY2016

	$m		$m
Coles	763	Officeworks	41
HI	538	Resources	116
Kmart	165	WIS	44
Target	128	WesCEF	60

* Other capital expenditure: $2 million

AREAS OF SUCCESS AND LESSONS LEARNT

Wesfarmers believes that its process was most successful in reducing duplication and redrafting particular disclosures to make them clearer and more concise.

To assess what information would be useful to investors, the team asked other departments within the company about the information they typically provided for the preparation of the company's financial statements. However, the team also said they could have involved these departments more actively at the start of the process, by asking them more directly about the ways in which they would streamline the information in the financial statements for which they had direct responsibility.

WHAT NEXT?

Wesfarmers says it will continue to seek improvements in the quality of the company's financial statements by incorporating feedback from investors and senior managers. The company aims to extend the streamlining efforts to other parts of its annual report, such as the remuneration report.

Wesfarmers also intends to explore how to make its financial statements more comparable with its peers', thereby making it easier for investors to analyse the company relative to other companies. It may also consider working towards a fully digitised, interactive annual report. ISCA

This is an edited version of a case study from the IFRS Foundation Disclosure Initiative – Case Studies, "Better Communication in Financial Reporting: Making disclosures more meaningful", October 2017. Reproduced with permission. Additional reporting for this article was provided by Corporate Reporting & Ethics, ISCA.

DON'S COLUMN

SHARE BUYBACKS IN SINGAPORE

Financial Reporting And Disclosure Of Share Buybacks

BY
JIAN MING AND
CLEMENT TAN KAI GUAN

The past few decades have witnessed a substantial increase in share buybacks by firms primarily through the open market repurchase programmes.

From the accounting perspective, companies may choose to buy back shares out of their capital and/or profits. If share buybacks are out of profits, lower amount of profits would be available for distribution as dividends in the future. Shares bought back by a company may be cancelled immediately upon re-acquisition or held as treasury shares. Treasury shares are registered in the name of the company and, although they do not carry any voting, dividend or distribution rights, the company, as the registered owner of the treasury shares, is entitled to participate in bonus share issues, share splits and share consolidations.

The Singapore Companies Act (the Act) limits the number of shares held as treasury shares to 10% of the total number of shares of the company. If the 10% limit is exceeded, the excess shares must be either disposed of or cancelled within six months.

PHOTO SHUTTERSTOCK

The Act also prescribes the accounting for shares that are purchased or cancelled. For shares that are purchased out of the capital of the company, the company's share capital shall be reduced. For shares that are purchased out of the profits of the company, the company's retained profits shall be reduced. For shares that are purchased out of both the capital and the profits of the company, the company's share capital and retained profits shall be reduced proportionately.

The Act is, however, silent on the accounting for shares that are purchased and held as treasury shares. FRS 32: Financial Instruments – Presentation states that treasury shares shall be deducted from equity, and the amount of treasury shares held shall be disclosed separately in either the statement of financial position (SFP) or the notes to the financial statements (Notes).

Numerous reasons have been given as to why share buybacks may be beneficial to a firm and these include boosting the financial ratios to make the business look attractive, taking advantage of the undervaluation of shares and reducing the overall cost of capital. Some academic papers suggest that share buybacks could convey favourable information about earnings (Bartov 1991; Lie 2005) or fading investment opportunities (Grullon and Michaely, 2002), or result in more efficient utilisation of assets (Nohel and Tarhan, 1998). Hence, firms' profitability measures such as return on equity (ROE) and return on sales (ROS) may or may not improve after the share buybacks. Research also provides evidence that corporations have been substituting share repurchases for dividends (example, Grullon and Michaely, 2002).

The (Singapore Companies) Act is, however, silent on the accounting for shares that are purchased and held as treasury shares.

In this article, we examine the presentation and disclosure practices of share buybacks by Singapore listed firms, their operating performance change after the share buybacks, and their dividend payout ratios to determine whether there is a significant change after the share repurchase.

SAMPLE AND DATA

In our data collection process, we:

1) downloaded all share buyback announcements posted on the Singapore Exchange (SGX) website in the year 2016;
2) identified 108 firms with share buyback activities in 2016;
3) downloaded the available annual reports of these firms for the latest two years from the SGX website and manually collected the relevant accounting and share buyback information.

The final sample consisted of 98 firms after deleting those firms whose latest available annual reports in the SGX website did not reflect the share buyback activities in 2016.

SHARE BUYBACK OF SGX LISTED COMPANIES IN 2016

A total of 523 million shares were repurchased by the 98 firms in our final sample in their latest financial year, with a total buyback consideration of almost S$9 billion. For over 90% of sample firms, the purchase consideration of these share buybacks was less than 5% of their total equity.

The five stocks with the largest buyback consideration in our sample include four Straits Times Index stocks.

The number of days of share buyback announcements for the sample firms ranged from one to 138 days in 2016, with an average of 18 share buyback days per firm.

Figure 1 Frequency of Share Buyback

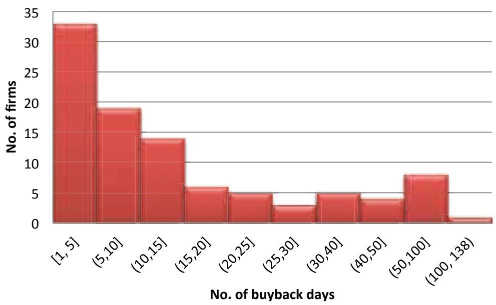
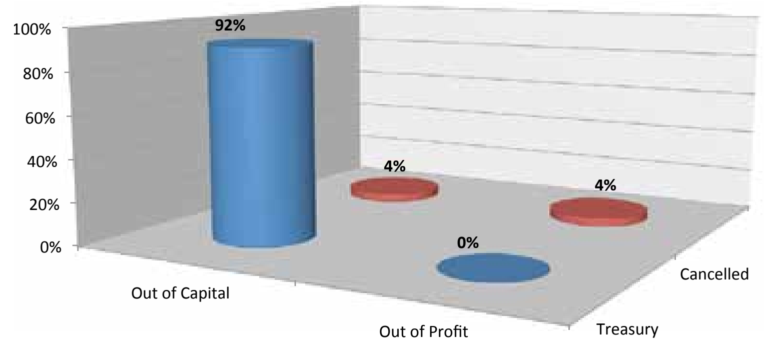


Figure 2 Treatment of Share Buybacks

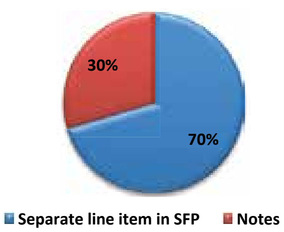


Among the five stocks with the largest buyback consideration, four of them were among the top 10 firms with the most number of share buyback days in 2016. Figure 1 shows the sample distribution of the number of share buyback days in 2016.

PRESENTATION AND DISCLOSURE PRACTICES

The majority (92%) of our sample firms bought back shares out of capital, and held them as treasury shares. It is interesting to note that none of the treasury shares were purchased out of profits. The remaining 8% cancelled the shares that were bought back. Half of them were bought back out of profit (Figure 2). Most firms disclosed treasury shares as a separate line item in the SFP (Figure 3).

Figure 3 Disclosure of Treasury Shares



The 69 firms which disclosed treasury shares as a separate line item in the SFP also presented them in a separate column from share capital in the Statement of Changes in Equity (SCE), as shown in Table 1. Overall, 91% of the sample firms presented treasury shares in a separate column from share capital (Figure 4).

Close to 75% of the sample firms were audited by the Big Four accounting firms (Figure 5).

Firms seemed to show a prevailing preference to disclose treasury shares in a separate column from share capital in the SCE, independent of the auditors. Noticeably, all firms audited by EY in our sample presented treasury shares in this way (Figure 6).

In our sample firms, only three firms changed auditors in the sample period, and none of the three changed their presentation and disclosure practices of share buybacks in the SFP and SCE after the change in auditors. The presentation and disclosure practices of treasury shares remain consistent even after the change of auditors for all three firms.

Table 1

	Presentation in SCE		
Disclosure in Financial Statements	Under "Share Capital" column	A separate column other than "Share Capital"	Total
Separate line item in SFP	0	69	69
Notes	9	20	29
TOTAL	9	89	98

Figure 4 Presentation of Treasury Shares in SCE

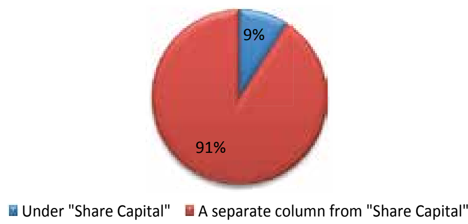
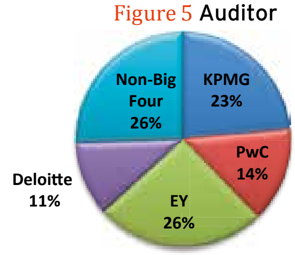


Figure 5 Auditor



OPERATING PERFORMANCE AND DIVIDEND PAYOUT

Most of the sample firms (84%) paid cash dividend. A few firms (5%) which paid cash dividend also implemented the scrip dividend scheme. For these firms, shares issued in lieu of ordinary dividend amounted to an average of 27% of the total dividends paid in the year (Figure 7).

No significant change in dividend payout ratio is identified in the sample. However, in the sub-sample with the highest value of share buybacks as a percentage of total equity (top 10% of firms), we do observe a significant drop in dividend payout ratio on average. This seems to suggest that these firms could have substituted share buybacks for dividend.

Figure 6 Presentation of Treasury Shares in SCE

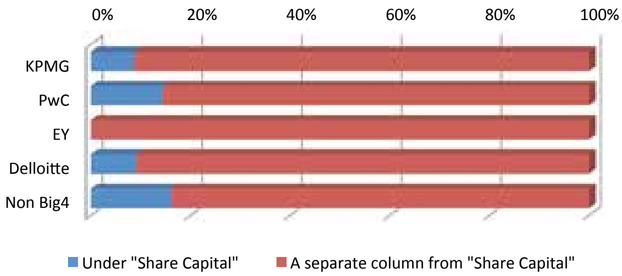


Figure 7 Dividends (Cash & Shares-in-lieu)

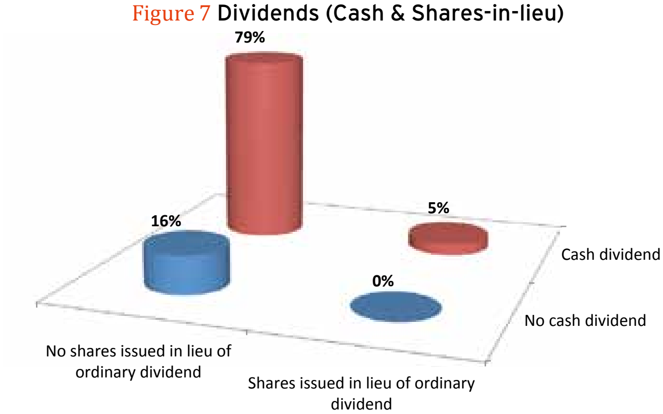


Figure 8 Distribution of ROE

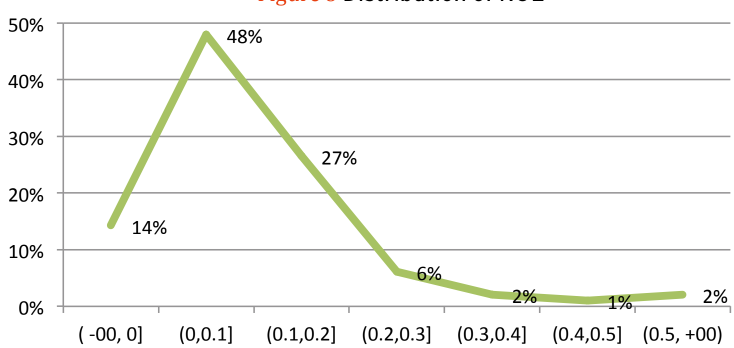
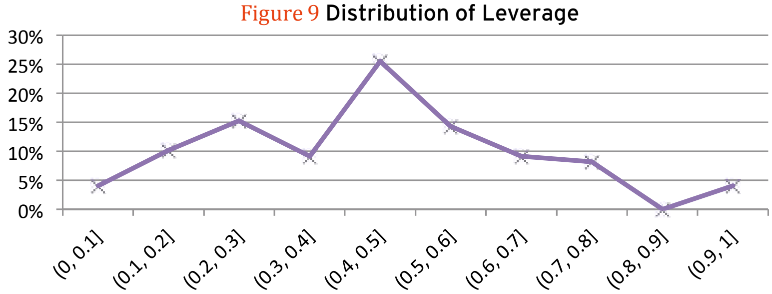


Figure 9 Distribution of Leverage



Our sample firms showed a wide range of ROE as well as leverage ratio (total liabilities/total assets), with an average ROE of 8.82% (Figure 8) and an average leverage ratio of 44.16% (Figure 9).

Overall, there is no significant change in leverage and ROE after the share buybacks. However, for the 14% of our sample firms which incurred losses in the previous year (hence, there may be an incentive for them to improve their operating efficiency in the following year), their ROE and ROS improved significantly in the sample period which might be a result of the repurchase of shares. However, no significant change in the leverage and asset turnover is observed for these firms. This is consistent with the argument that one motivation for share buybacks is to improve profitability indicators such as ROE.

CONCLUSION

In our examination of the share buyback practices of Singapore listed firms in 2016, we found the following:

1) Most firms repurchased their own shares out of capital and held them as treasury shares;
2) The majority of firms disclosed treasury shares as a separate line item in the SFP;
3) There is a predominant preference to disclose treasury shares in a separate column from share capital in the SCE regardless of the audit firms;
4) Firms demonstrate consistent presentation and disclosure practices for share buybacks, and
5) Overall, firms do not appear to show significant change in dividend payout ratios, ROE and leverage after the share buybacks, probably due to the relatively small percentage of share buybacks. ISCA

Jian Ming and Clement Tan Kai Guan are both Associate Professor of Accounting, Nanyang Business School, Nanyang Technological University.

THE SCIENCE & ART OF DISPUTE RESOLUTION

Looking Beyond The Processes And Navigating Tax Disputes

BY
FELIX WONG AND
ANGELINA TAN

"Each tax dispute may be handled differently depending on the specific facts and circumstances of the case. In some disputes, it may be best to resolve them by legal arguments and statutory interpretation. In others, it may be through appropriate framing of facts or advocacy." This is an interesting perspective forwarded by Vikna Rajah, Partner & Head Tax, Trust & Private Client, Rajah & Tann Singapore LLP, against the current backdrop of a fast-changing tax landscape where long-established norms are challenged, coupled with the increased scrutiny by tax authorities. Companies are progressively more susceptible to tax controversies in their countries of operation.

Assisting companies in understanding how best to navigate tax disputes, the Singapore Institute of Accredited Tax Professionals (SIATP) organised a *Tax Excellence Decoded* (TED) session facilitated by Mr Rajah where he shared his legal insights on the science and art of dispute resolution via several Singapore tax cases.

PHOTO SHUTTERSTOCK

Vikna Rajah, Partner & Head Tax, Trust & Private Client, Rajah & Tann Singapore LLP, shared his insights on the various approaches to resolve civil and criminal tax disputes

1 LEGAL ARGUMENT AND STATUTORY INTEPRETATION

Determining and relying on the correct statutory provision

The taxpayer constructed a student hostel where the majority of floor space (90%) was to be used for student accommodation, and the remaining for a cafeteria and administrative purposes. On the basis that the construction expenditure was incurred to make exempt supplies (which are not subject to GST), the Comptroller of Goods and Services Tax (GST) disallowed the taxpayer's input tax claim on the construction expenditure.

The issue was whether the Comptroller was right to conclude that the construction expenditure was incurred to make exempt supplies.

In arriving at its conclusion, the Comptroller relied on Section 2(c) in Part 1 of the Fourth Schedule of the

> **In presenting the argument and supporting evidence, less is often more.**

GST Act. It states that "any land or part thereof with any building, flat or tenement thereon, being a building, flat or tenement which is used or to be used ***principally*** for residential purposes" (emphasis added) would be an exempt supply.

At first glance, it would appear that the Comptroller was right to conclude that the construction expense was incurred to make exempt supplies as the student hostel was "to be used principally for residential purposes".

However, it must be noted that the statutory provision was amended on 1 January 2011, and the construction expenditure was incurred before this amendment. As such, the applicable statutory provision (to determine whether the construction expense is an exempt supply) for this case has to be based on the earlier provision, which read "any land or part thereof with any building, flat or tenement thereon, being a building, flat or tenement which is approved ***exclusively*** for residential purposes under the planning act" (emphasis added).

As the taxpayer had specifically obtained an approval from the Urban Redevelopment Authority to change the use of the land to "mixed use", the student hostel was found not to be approved exclusively for residential purposes. Accordingly, the taxpayer was allowed its input tax claim on the construction expenditure incurred on the student hostel.

2 EVIDENCE
Selecting relevant information and evidence

The taxpayer constructed an office building and as part of the sale agreement, required a large deposit which is above market rate from the purchaser. In return, the taxpayer made coupon payments to the purchaser until the project was completed. The taxpayer also took a bank guarantee for the entire purchase price.

On the basis that the coupon payments and bank guarantee were not wholly and exclusively incurred in the production of income, the Inland Revenue Authority of Singapore (IRAS) disallowed the taxpayer's deduction claims on these expenses.

It is useful for taxpayers and advisors to appreciate the evolving tax landscape and be aware of the global focus in the area of tax avoidance in recent years.

The taxpayer contended that the expenses should be tax deductible as they constituted part of the transaction cost. To support its contention, the taxpayer carefully selected only the essential evidence to demonstrate that the large deposit, together with the resulting coupon payments, was required to mitigate the genuine commercial risks as the sale was made during a financial crisis. The taxpayer also provided evidence to demonstrate that the bank guarantee was necessary to mitigate the risk of a failed transaction (in view of the gloomy economic climate during the sale).

By providing clear, concise and relevant evidence, the taxpayer ensured that the key arguments were not lost in a verbose submission and eventually convinced the tax authorities that both the coupon payment and bank guarantee interest fees were tax deductible.

In presenting the argument and supporting evidence, less is often more.

3 LOGIC
Applying logic to determine the true intention

The case involved a family business where several family-owned companies had liquidated some assets and distributed half of the resulting proceeds from the sale to the intended beneficiaries in accordance with the settlement deed.

As it was drafted in the settlement deed that all "advances" included an interest element which was payable, the companies' accounts were prepared on this basis and accordingly, accrued interest was charged on the distributed proceeds. IRAS subjected the interest income to tax.

The taxpayer explained that all monies were meant to be returned to the beneficiaries eventually, and as such, it would not make sense for interest to be charged on the distributed proceeds. Despite the wordings in the settlement deed, the intention of the settlement deed was to charge interest only on loans extended to the beneficiaries. The proceeds distributed from the sale of assets were not "advances".

IRAS agreed with the taxpayer's logic and allowed the companies' accounts to be restated. The tax charged on the interest income was subsequently refunded.

4 NEGOTIATIONS AND FRAMING OF FACTS

Telling the right story with the facts

The company, a distributor of computer memory products and hardware accessories, submitted a Productivity and Innovation Credit (PIC) cash payout application form and declared in the form that it had incurred time costs for five employees developing software systems. In reality, there was no such development of software systems and the five employees did not spend any time on such activity.

The company and its director were charged under section 37J(3) of the Income Tax Act (ITA) for wilfully with intent to obtain a PIC cash payout that they were not entitled to by giving false information to the Comptroller of Income Tax (CIT).

In mitigation, the company and its director highlighted that the entire scheme was concocted by a PIC promoter who had approached the director in a professional manner and represented that the scheme was legitimate. While the director might have been negligent in his role, the fact that he was led to believe that the scheme was legitimate by the PIC promoter showed that he did not have wilful intent to defraud the CIT.

IRAS agreed with the defence's representations, and the charge was subsequently reduced from that of fraud to negligence.

5 ADVOCACY

Advocating for a reduced penalty

The taxpayer had under-declared the import values of certain goods and faced charges for fraudulent evasion of GST under the Customs Act. To support its case, the prosecution submitted a list of past cases pertaining to fraudulent evasion of GST and sought a penalty of 10 to 20 times the amount of tax avoided by the taxpayer.

It was incontrovertible that the taxpayer had committed an offence of the evasion of GST. The issue at hand was whether the penalty sought by the prosecution was reasonable.

The defence argued that the list of precedents submitted by the prosecution had no precedential value as the prosecution did not consider the differing circumstances and varied mitigating factors of the precedents cited. The defence also argued that the list of precedents was selective and incomplete. The Court agreed with the defence.

The defence further supported its case by citing a relevant precedent where the penalties imposed were five times the amount of tax avoided. In the absence of other relevant precedents, the Court agreed that the penalty to be imposed on the taxpayer should likewise be five times the amount of tax avoided (instead of the penalty sought by the prosecution).

EVOLVING TAX LANDSCAPE

In light of the various considerations to take note of when navigating a tax dispute, it is also useful for taxpayers and advisors to appreciate the evolving tax landscape and be aware of the global focus in the area of tax avoidance in recent years.

In Singapore, the general anti-avoidance rule is embodied in section 33 of the ITA, which essentially allows the CIT to reverse tax advantages arising from arrangements that, inter alia, alter the incidence of tax without bona fide commercial reasons.

In light of the Court of Appeal's landmark decision in *AQQ v CIT* [2014] 2 SLR 847 and subsequent section 33 cases, any tax planning arrangement that appears contrived or artificial would likely be heavily scrutinised by the Singapore tax authorities. This would be an area of potential tax disputes that taxpayers should be mindful of. 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 Vikna Rajah, Partner & Head Tax, Trust & Private Client, Rajah & Tann Singapore LLP. For more tax insights, please visit www.siatp.org.sg.

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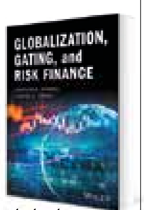

Globalization, Gating, and Risk Finance

Unurjargal Nyambuu, Charles S. Tapiero
ISBN: 978-1-119-25265-8
S$157.24 including GST

This is an in-depth guide to global and risk finance, based on financial models and data-based issues that confront global financial managers. It departs from the traditional macroeconomic and financial approaches to global and strategic risk finance, where economic power and geopolitical issues are intermingled to create complex and forward-looking financial systems. With its use of case studies, it is a suitable text for graduate students of global finance, general finance, financial engineering, and international economics, and for practitioners.

Beyond Earnings

David Holland, Bryant Matthews
ISBN: 978-1-119-44048-2
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This is a professional manual to better stock analysis and valuation as it provides finance professionals with the most advanced techniques for complex valuation and corporate performance analysis. Deep in detail and comprehensive in scope, the empirical discussion of mean-reversion in corporate profitability and growth comes with expert guidance towards practical solutions. Its step-by-step calculations are designed to guide users through the application of the HOLT CFROI and Economic Profit approaches for measuring operating performance.

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Bessma Momani, Mark R. Hibben
ISBN: 978-1-5095-0967-6
S$37.40 including GST

The book charts the history of the much-critiqued IMF, cogently analysing its successes and failures and puts forward a bold yet realistic case for reform of the organisation to remedy its flaws and maximise its potential. It dissects the variables and institutional dynamics at play in the IMF's governance, surveillance, lending and capacity development to expose the fundamental barriers to change, and identifies four areas that could "fix" the organisation, making it more effective for the 21st century.

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 by 23 February 2018. Please provide your full name, NRIC number, mailing address, contact number and the book you're interested in.

QUIZ

1 In "Better Communication in Financial Reporting", the Wesfarmers team concluded that a series of small changes made throughout the financial statements, highlighting relevant matters and communicating them clearly and concisely, did not make any significant impact.

A True
B False

2 In "ISCA Financial Forensic Accounting Qualification: Coming Soon on 1 March 2018", the ISCA FFA Qualification is a part-time programme which involves a combination of self-study and mandatory practical workshops conducted by a team of experienced trainers.

A True
B False

3 In "The Science & Art of Dispute Resolution", it is useful for taxpayers and advisors to appreciate the evolving tax landscape and be aware of the global focus in the area of tax avoidance in recent years.

A True
B False

CONGRATULATIONS

JANUARY QUIZ WINNERS:

Sek Kim Man	**Yeo Chun Keong**	**Tan Wei Qin**
Sxxxx345E	Sxxxx418Z	Sxxxx706C

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