

ISCA Chartered Accountant

January 2018



2018

WHAT LIES ON THE HORIZON

**CHINA'S BELT AND
ROAD INITIATIVE**
What It Means For
The Countries Involved

THE ASEAN EDGE
ISCA Member Jake Yeo,
Audit And Assurance Manager,
Deloitte & Touche LLP

**ACCOUNTING
FOR FINANCIAL
LIABILITIES UNDER
IFRS 9 AND IAS 39**

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PRESIDENT'S MESSAGE

DISRUPTION, DYNAMISM, DILIGENCE, ALL PART OF A GOOD DAY'S WORK

Dear members,

In this first issue of the year, on behalf of my fellow Council members, management and staff, I want to wish you Happy New Year. I hope you are refreshed and ready to take on what 2018 has in store.

The last few years have been eventful. Disruptive technologies continued to play havoc on traditional business models; new accounting standards, more stringent regulatory requirements, stakeholders' higher expectations of accountants, and a rapidly-changing business landscape all contributed towards displacing the "normal" way of doing things. In its place is a new "normal" that is characterised by disruption, dynamism and non-stop change.

ISCA has been supporting our members by future-preparing them for the more complex business environment. Our members, too, have responded with the right mind set and diligence as they upgrade themselves, knowing that their actions will help them move confidently into the future economy. Simply put, continuous professional development should become part and parcel of an accountant's professional life.

As accountants advance in their career journeys, their needs will inevitably change. Thus, the Institute has differentiated programmes specially designed for members at different stages of their career, including those members who wish to deepen their skill sets in specialised fields. In the cover story, I share my thoughts on what our members can expect, and what the Institute is doing to support them in their chosen fields of expertise.

ISCA has increased the frequency of our engagement efforts with members. Our efforts have garnered valuable

feedback, helping us to design more appropriate member initiatives. Our focus on areas of emerging demand, such as data analytics, cybersecurity, coding and blockchain, is a good example; these are topics of current interest, and which members say they would like to know more about.

A confluence of factors is presenting an exciting future of myriad opportunities for accountants, particularly in the region. Already, ASEAN Chartered Professional Accountants can provide non-regulated accountancy services in other ASEAN countries (with some exceptions), giving them access to new markets. As more members look overseas, our Member Profile column has taken a new slant to provide a better understanding of what it means to work in a different culture. Here, ISCA member Jake Yeo shares his insights on working in the Philippines.

The ASEAN Economic Community is giving the regional grouping economic heft as taken together, ASEAN is the fifth-largest economy in the world. Singapore, which assumes the ASEAN chair in 2018, has announced its intention to step up efforts to expand links with important trading partners, such as through a high-quality Regional Comprehensive Economic Partnership. Cross-border engagement is an integral part of the Institute's approach to support our members' internationalisation efforts. We have led several business study missions abroad, giving members and Singapore businesses a headstart in building inroads and connecting with their overseas counterparts. Our MOUs with the emerging economies forward our objectives in this respect. ISCA's recent MOU with the Myanmar Institute of Certified

Public Accountants has paved the way for several Singapore practitioners to visit Myanmar to explore partnership opportunities and gain a deeper understanding of its accountancy and investment laws. We hope this trend will continue as SMPs venture into new markets. Exciting business opportunities also come from outside ASEAN, such as from the unprecedented China Belt and Road Initiative. Do find out more within these pages.

ISCA shares our expertise with emerging economies to help raise the collective standard of the profession. We developed the Micro Accounting Model – a self-contained financial reporting framework targeted at micro market participants operating in ASEAN countries – which is intended to provide the building blocks to enable businesses to progress towards more comprehensive accounting frameworks. This Model received positive feedback from the global community when we presented it at the United Nations Conference on Trade and Development-International Standards of Accounting and Reporting last year.

As always, this issue brings you a lot of useful information that can add value to your work. Have a good read, and a great year ahead.

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



CONTENTS

Jan
2018



FOCUS



26

2018: What Lies on the Horizon

26 2018: What Lies on the Horizon

ISCA President Dr Gerard Ee talks about how the Institute is helping members benefit from the new opportunities arising from innovation

32 BEYOND SINGAPORE The ASEAN Edge

ISCA member Jake Yeo, Audit and Assurance Manager, Deloitte & Touche LLP talks about working in the Philippines in our new focus on members working in ASEAN countries

36 China's Belt and Road Initiative

The B&R Initiative will present a wide span of opportunities for commercial and people-to-people exchanges

IN TUNE

- 5 Singapore Strengthens Support for China's Belt and Road Initiative
- 6 Manpower Concerns Drop as SMEs Focus on Growth
- 7 ISCA Calendar of Events



22

- 8 A Boost to International Mobility
- 10 ISCA Signs MOU with Myanmar National Accountancy Body to Develop Accountancy Sector in Myanmar
- 12 Micro Accounting Model: A Financial Reporting Framework for Micro Entities
- 14 ISCA SMP Business Study Mission to Australia
- 16 Data Analytics Breakfast Talk Series (Part 3): A Walkthrough on the Implementation of Analytics
- 18 Pathway to Professional Recognition: Accountancy as My Career of Choice
- 20 ISCA Members' Privileges Programme
- 22 ISCA Games 2017 Closes on High Note
- 24 Get Techno and Techie on Tax

VIEWPOINT



42

42 Mentoring Others, Mentoring Yourself (Part 2)

Part 2 of the three-part series discusses how to establish a great Mentor-Mentee relationship, from the Mentor's perspective

TECHNICAL EXCELLENCE



48

46 Technical Highlights**48 Sense and Sensibilities of TP Methods**

An SIATP session sheds light on various transfer pricing methods and their application

52 DON'S COLUMN**Accounting for Financial Liabilities under IFRS 9 and IAS 39**

What has or has not changed? Effects, similarities and differences between the Standards



52

FIRST LOOK

56 Books & Quiz**COUNCIL MEMBERS**

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Singapore Strengthens Support for China's Belt and Road Initiative

“Singapore's position on the Belt and Road is very clear. We are fully supportive of the BRI (Belt and Road Initiative) and we stand ready to partner China to build the Belt and Road,” said Minister for National Development Lawrence Wong, at the Regional Business Forum (RBF) on 15 August 2017. The event saw the launch of BRI Connect by the Singapore Business Federation (SBF), which organised the RBF, and China Enterprises Association. BRI is

intended to strengthen partnerships and implement BRI projects in Singapore, China and countries along BRI.

Following the launch of BRI Connect, in November 2017, a business delegation led by the China Council for the Promotion of International Trade (CCPIT) visited Singapore to exchange views and share insights into regional connectivity, infrastructure, investment and financing opportunities. “Intensifying business collaboration and project partnership

with the Chinese enterprises to develop infrastructure along the Belt and Road countries are crucial for Singapore enterprises that focus on internationalisation as the key strategy to sustain their businesses in a volatile economy,” said SBF Chairman S.S. Teo.

The three-day visit was headed by CCPIT Chairman Jiang Zengwei, and comprised more than 80 senior business leaders of Chinese enterprises, who met their Singapore counterparts to explore business cooperation and opportunities. The visitors were from various sectors, including construction, engineering, real estate, finance and investment, urban and industrial park development, trading, and telecommunications.



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Manpower Concerns Drop as SMEs Focus on Growth

SMEs are adjusting their business models and improving their productivity by investing in technology and streamlining their processes, causing their concern about manpower issues to ease. This is the key finding of the 2017 SME Development Survey conducted by business intelligence and credit analytics company DP Information Group (DP Info), part of the Experian Group.

In 2017, the proportion of SMEs experiencing difficulties with manpower costs fell to 70%, which was below the level it was when the foreign labour restrictions were introduced in 2012.

Concerns about manpower costs jumped from 72% in 2012 to 85% in 2013, and has declined every year since. This indicates SMEs are adjusting to the changes in the labour market by modifying their business models and making productivity improvements (Figure 1).

Experian's Managing Director, South East Asia & Emerging Markets, Dev Dhiman, said the adjustments SMEs are making in response to the changes in the labour market appear to be working. "We are seeing a new phase in the development of Singapore SMEs where their focus is shifting away from surviving the restriction on foreign labour, towards winning market share and growing their businesses."

Figure 1 SMEs facing difficulties with manpower costs (%)

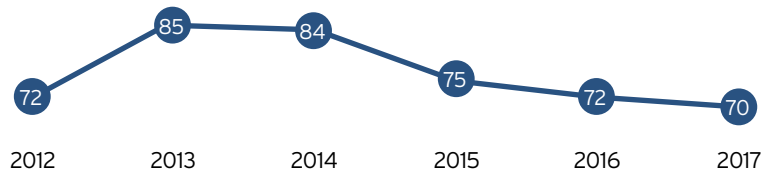


PHOTO SHUTTERSTOCK



MARK YOUR CALENDAR

**10
JAN**

ISCA Breakfast Talk - Grasp The Essence of Key Tax Changes & Impact

An hour-long talk aims to highlight key areas chartered accountants need to be aware of for 2018 and beyond.

Be in the know and understand what the impact is to your business and/or your clients.

**23
JAN**

ISCA 7th SMP Dialogue - The Know-Hows of SMP Consolidation

Have you thought of retiring and selling your practice?

Or have you thought of expanding by merging or acquiring with another practice? If you have, join us at the 7th SMP Dialogue to find out how other firms have sold or acquired practices.

**21,26,
27&28
FEB**

Business Analytics and Reporting

This unique programme shows you how to improve your productivity in reporting & analytical work by combining the various advanced tools and features of Microsoft Excel to fulfill your monthly financial reporting, financial analysis, budgeting and investment appraisal tasks in an automated fashion.

**01
& 02
MAR**

Advanced Corporate Tax

Get to achieve a higher appreciation of tax planning techniques and how it can be applied to business decisions both locally and internationally.

It will cover both local tax planning as well as international tax planning.

**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.

Enrol by 31 Jan 2018 to enjoy Early Bird discount



**16,17,
21&22
MAR**

ISCA Professional Risk Management Programme

Learn to build the capability of finance professionals, risk managers and risk owners through structured lectures, discussions, practical case studies and assessments.

**22
& 23
MAR**

Cyber Security Risks and Challenges: What Every Accounting, Finance and Business Users Need to Know and How to Manage it Effectively

This programme defines cyber security, explains its risks and challenges in relation to the digital economy and its global connectivity and discuss how the risks could be managed effectively.

In collaboration with SMU

**20,21
22,25
& 26
JUN**

Practical Accounting Essential

Explains the fundamental requirements of the Singapore Financial Reporting Standards ("SFRS"), sufficient to enable the participant to appreciate the thought processes and accounting judgments applied in the preparation of financial statements.

Dates and events are subjected to change without prior notice.

For more details, visit www.isca.org.sg

A Boost to International Mobility



▲ The RMA was signed on the 18 November 2017 by Barry Dempsey, Chief Executive of Chartered Accountants Ireland (left) and Lee Fook Chiew, Chief Executive Officer of ISCA

As part of ISCA's vision to be a globally recognised professional accountancy body, ISCA continuously seeks to enhance international recognition and career portability for our members. On 18 November 2017, the Institute signed a Reciprocal Membership Agreement (RMA) with Chartered Accountants Ireland. The RMA will enhance the global portability and international stature of the Chartered Accountant of Singapore, or CA (Singapore), designation. This is the third RMA that ISCA has signed with another chartered accountancy body in 2017, following the RMAs with the Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants of Scotland in April 2017.

The RMA was signed by Lee Fook Chiew, Chief Executive Officer of ISCA and Barry Dempsey, Chief Executive of Chartered Accountants Ireland, at a Chartered Accountants Worldwide global meeting in Brussels. Under the RMA, ISCA members can pursue the

Irish Institute's Chartered Accountant designation without having to fulfil additional professional or educational requirements. To be eligible, the ISCA member must be a CA (Singapore) and has completed the Singapore CA Qualification.

The news of ISCA's RMAs was well received by Singapore CA Qualification graduates. Sebastian Widodo, a Singapore CA Qualification graduate

and ISCA member, shared that having the RMAs signifies that the Singapore CA Qualification is internationally recognised. "These RMAs also send clear signals to the current and future employers that the Singapore CA Qualification graduates are equipped with highly relevant skills and are well prepared to face the challenges of the increasingly globalised economy."

It is important for ISCA to continue with the RMA effort. As Singapore continues to strive to become a global accountancy hub, RMAs with renowned global accountancy bodies will help to attract and encourage the best and brightest accounting talents to be a CA (Singapore). Similarly, these RMAs can enhance the international mobility of the graduates who can benefit from greater career opportunities and international exposure.

In the current business landscape where organisations are increasingly internationalised, having credentials that are recognised in Singapore and other key financial and business centres will put ISCA members in good stead to achieve their career aspirations, wherever they are.

★
"These RMAs also send clear signals to the current and future employers that the Singapore CA Qualification graduates are equipped with highly relevant skills and are well prepared to face the challenges of the increasingly globalised economy."

SEBASTIAN WIDODO,
Singapore CA Qualification graduate and ISCA member





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ISCA Signs MOU with Myanmar National Accountancy Body to Develop Accountancy Sector in Myanmar

ISCA has signed a Memorandum of Understanding (MOU) on 27 November 2017, with the Myanmar Institute of Certified Public Accountants (MICPA) to co-develop the accountancy profession in Myanmar through capability-building programmes. These programmes will include training on Principles of Accounting, International Financial Reporting Standards (IFRS), IFRS for SMEs, and continuous professional education classes. ISCA will also conduct training on the ISCA Audit Manual and Micro Accounting Model (MAM).

The MOU, approved and supported by the Myanmar government and Auditor-General's office, was signed by ISCA Chief Executive Officer Lee Fook Chiew and MICPA Chairman Wan Tin.

Following the MOU signing ceremony, Lim Ju May, ISCA's Deputy Director of Corporate Reporting & Ethics, presented ISCA's MAM, which was developed by the Institute to provide micro entities in emerging and developing countries with a framework to transit from cash accounting to

accrual accounting, and to prepare reliable financial statements. Standard-setters and national professional accounting bodies can use MAM as a starting point towards eventually adopting international accounting standards. MAM is envisaged to be a useful tool in helping raise the overall standards of the profession, thereby contributing towards stronger investor confidence.

More business opportunities

Myanmar and Singapore can also look forward to more new business opportunities as efforts have been made to help practitioners from both sides to interact and build professional networks. Several Singapore practitioners had gone to Myanmar to explore partnership opportunities and understand the revised Myanmar accountancy and investment laws.

"As the national accountancy body of Singapore, we are honoured to contribute to the development of the accountancy sector in Myanmar. In particular, we hope that the MAM can be a helpful framework for businesses, especially micro business entities to take the step up from cash



▲ ISCA's Deputy Director of Corporate Reporting & Ethics Lim Ju May presenting ISCA's Micro Accounting Model

to accrual accounting, and eventually adopt international accounting standards, thereby raising financial reporting quality and enhancing investor confidence in the country," said Mr Lee.

"We feel greatly honoured to have this opportunity of signing the MOU with ISCA, one of the leading professional accountancy bodies in the world. This is the first step towards forging a close professional relationship with ISCA to work on the development of the accounting profession in Myanmar. Our collaboration with ISCA will also enable the Myanmar Institute of Certified Public Accountants to enhance the accounting and financial reporting quality of our corporate entities, thereby creating a more favourable climate for direct foreign investment," said Mr Wan Tin.

▼ (From left) ISCA President Dr Gerard Ee, ISCA CEO Lee Fook Chiew, MICPA Chairman Wan Tin and MICPA Patron Win Thin



▲ ISCA delegation with MICPA Council Members and Union Auditor General Maw Than (4th from right)

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Micro Accounting Model: A Financial Reporting Framework for Micro Entities

In developing and emerging countries, micro businesses are often the backbone of the economy. These businesses, which are owned and managed by the local population, have a vital place in an economy's ecosystem. The majority of these businesses, however, do not prepare a set of financial statements, but use some form of traditional cash accounting method to record business transactions and keep track of the financials.

The question then is, should this status quo continue? The answer would very much depend on whether the micro business aspires to expand and grow. Micro business owners who are entrepreneurs would envision their businesses growing, expanding and becoming big in the future. For this to happen, two key elements are essential - capital, and the ability to entrust stewardship responsibilities. In order for investors and banks to provide capital and invest, they need to understand the financial performance and financial position of the micro business. In a similar vein, business owners need financial accountability from the people they have entrusted with stewardship responsibilities.

Today, there are various accounting frameworks available, such as the International Financial Reporting Standards (IFRS), IFRS for Small and Medium-sized Entities (IFRS for SMEs), and United States Generally Accepted Accounting Principles (US GAAP). These accounting frameworks are the financial language of

businesses, enabling the recognition, measurement, presentation and disclosure of business transactions in a summarised form, via a set of financial statements, to depict the financial performance and financial position of a business. Notwithstanding the availability of these accounting frameworks, micro businesses in emerging and developing countries require a framework that caters to their needs without the burden of excessive cost and complexity of implementation.

With this in mind, ISCA has developed a self-contained financial reporting framework for use by micro market participants operating in ASEAN countries (micro entities). The Framework, known as the Micro Accounting Model (MAM), is intended for micro entities to transit from cash accounting to the most basic form of accrual accounting. Such micro market participants are typically sole proprietorship businesses that have no public accountability, are exempt from audit and are not required to comply with any stipulated accounting standard framework. MAM is thus intended to provide the building blocks to enable businesses to progress towards more comprehensive accounting frameworks, such as IFRS or IFRS for SMEs, as businesses grow.

MAM, in its approximately 50-page framework, applies basic accounting principles and contains significant simplifications while keeping within the confines of the

pervasive principles derived from the International Accounting Standards Board's Conceptual Framework for Financial Reporting and from full IFRS. It also includes a set of illustrative financial statements and reconciliation to IFRS and IFRS for SMEs. Key simplifications have been applied especially in the area of financial instruments.

In the drafting of MAM, three overarching principles have been applied - the cost or burden of applying an accounting treatment must not outweigh the benefits to micro entities; the complexities in the recognition of an item and the degree of estimations and judgements in the measurement of assets, liabilities,





income and expenses should be minimised where possible. MAM endeavours to be an intuitive and understandable framework for micro entities and the users of their financial statements. It lays out principles that encourage the use of judgement in the particular circumstances of a transaction or event. It can also be used to provide national accounting standard-setters with an illustrative framework in developing their accounting standard for micro entities in their jurisdictions.

MAM is a principles-based financial reporting framework, underlined by concepts such as materiality, qualitative characteristics of useful financial statements, accrual

accounting, definitions of elements of financial statements and the recognition criteria. It provides the fundamentals for the preparation of financial statements. In addition to concepts and principles, MAM addresses transactions typically encountered by micro entities – property, plant and equipment; inventories; revenue; etc. If MAM does not specifically address a transaction, use of judgement is required to apply the general principles, concepts and criteria contained in the Framework when developing accounting policies.

The idea and conceptualisation of MAM came from ISCA President Dr Gerard Ee, who also penned the Foreword in the MAM document.

Among other things, he had said, “I strongly encourage emerging and developing countries, in particular, the standard-setters and national professional accountancy bodies, to use this guide as a starting point towards eventually adopting international accounting standards. I envisage that the government of these countries will find MAM a useful tool in helping to raise the overall standards of the profession, thereby contributing towards stronger investor confidence towards the country. Furthermore, as more businesses are encouraged to use MAM to produce quality, reliable financial information, governments would also have greater assurance over tax collections”.

IN TUNE

ISCA NEWS

ISCA SMP Business Study Mission to Australia

The recent ISCA SMP Overseas Business Study Mission brought a delegation of 16 practitioners from small and medium-sized practices (SMPs) to Australia from October 16 to 18 last year. Organised by ISCA and supported by SPRING Singapore, the group spent three fruitful days in Sydney, Australia. The trip was led by Fann Kor, Director, Audit Quality & Standards Development, Continuing Professional Education and Industry Support, ISCA.

This mission trip differed from previous ones, with its focus on

▼ The Singapore delegation at ATSA 2017 held at Hyatt Regency Sydney

technology. As technological advancements continue to transform business models, accountants, including auditors, must keep up with the changes or risk falling behind. Against this backdrop, the trip aimed to gain practical knowledge on technology solutions relevant to the accountancy sector and learn best practices from progressive firms.

The trip was timed to enable delegates access to the Accountants' Technology Showcase Australia (ATSA) 2017. The two-day event attracted 750 delegates and 68 exhibitors. Accounting technology leaders shared how technology can be leveraged to remould firm practices to improve efficiency, and



▲ James Carey, Accounting Director of Prime Partners Chartered Accountants, explaining how an add-on application to accounting software works

WHAT DELEGATES SAY ...

“Congratulations to the organisers for a well-planned and intense programme. Very much appreciate the efforts put in. I like the visit to Prime Partners. We should persuade similar forward-looking SMPs in Singapore to share their experiences as well. I also got to socialise with fellow practitioners which was very enjoyable. Well done, ISCA and SPRING!”

LIM JEN HOWE,
Partner, Thong & Lim

“I gained a lot from the ATSA exhibitors who gave me insights into different possibilities to improve my firm through technology. This is definitely an interesting and fruitful trip for me.”

WAYNE SOO,
Partner, Fiducia LLP

“This is a good learning trip. From the visit to CA ANZ, I am surprised by the differences between the Australian accounting profession and what we have back in Singapore. It sets us thinking about how we can bring our profession to the forefront. Very thought-provoking.”

LYNN PHANG,
Partner, Ardent Associates LLP



▼ Members of the Australian accounting profession sharing their views at a panel session hosted by cloud-based accounting software company XERO



▲ The delegation and CA ANZ staff



contribute value to the firms and their clients. Through numerous 30-minute breakout sessions, our delegates were able to gain valuable insights from the experts on a multitude of issues and related technological solutions. The wide array of topics covered included big data, data analytics, machine learning, robotic process automation, cybersecurity, workflow management and tech-enabled business advisory services, to name a few. Our delegates also engaged in meaningful conversations with the exhibitors as they found out more about their services and product offerings.

The delegation spent quality time with a fast-growing cloud-based accounting software company - Xero,

▲ Harry Mills (centre), CEO of Aha! Advantage, with Singapore SMPs

and a forward-thinking local accounting practice - Prime Partners Chartered Accountants, separately. At a panel discussion hosted by Xero, the four panellists, who are members of the local accounting profession, shared their views and experiences on various issues such as the challenges faced by small business owners in transiting to the cloud platform, the impact of technologies such as blockchain, artificial intelligence and machine learning on the human factor, as well as the changing client expectations of accountants. At Prime Partners Chartered Accountants, James Carey,

Accounting Director, spoke about the change management process within his firm when implementing new technologies. He demonstrated how the use of add-on applications to his firm's accounting software - for example, a practice management tool - can help streamline workflows within the firm to achieve greater efficiency.

At the premises of the Chartered Accountants Australia and New Zealand (CA ANZ), representatives from the accountancy body provided significant insights into the accounting and auditing landscape in Australia and New Zealand, CA ANZ's focus on lifelong learning when it comes to professional education for members, their membership profile, and the usefulness of data analytics in producing predictive information that would help businesses.

The delegates also attended a workshop on "friction-free influencing", which centred on helping people convince themselves. The event was conducted by Harry Mills, CEO of Aha! Advantage, and a veteran consultant and trainer in the art of persuasion.

This year, ISCA will continue to organise productive and useful business study missions for SMPs to better understand the business and regulatory environments in foreign countries, and also explore the potential for business opportunities. If you are keen to find out more about upcoming trips, please email us at smp@isca.org.sg.

IN TUNE

ISCA NEWS

DATA ANALYTICS BREAKFAST TALK SERIES (PART 3)

A Walkthrough on the Implementation of Analytics

At the final instalment of the three-part series on Data Analytics on December 6, Mark Jansen, Technology, Media and Telecommunications Industry Leader, and Singapore Data & Analytics Leader, PwC Singapore, covered the various aspects of applying analytics to businesses.

He highlighted some of the common challenges of implementing analytics, such as a lack of alignment with strategic goals and direction; poor integration with existing work

flows and limited frontline adoption, and poor data quality and accessibility. To overcome these challenges and become an insight-enabled organisation, companies need to have a strong command of how to apply analytics. Firstly, companies need to discover relevant problems to solve, develop insights, enable actions by deploying the right technical solutions, and finally, have well-defined measurement of success factors.

Hiring the right talents is also an important aspect of realising the full

potential of data and analytics. There should be a good mix of talents with technical and analytics skill sets such as data scientists, data architects and software developers, and talents with business and communication skill sets such as design thinkers, change managers, and information designers. Together, they will be able to model and analyse data, test and validate systems, provide macro perspectives, align technology strategy, and provide business commentary.

▲Mark Jansen, PwC Singapore, wrapped up the three-part series on data analytics by delving into the actual application of analytics in creating a data-enabled business



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PATHWAY TO PROFESSIONAL RECOGNITION

Accountancy as My Career of Choice

“Upon graduation from secondary school, I opted for the Accounting courses at the Institute of Technical Education (ITE). Math was my favourite subject, and I hope to pursue a career closely related to numbers.” Inspired by her aunt who is an accountant, Kim Yui Min has harboured an aspiration to be an accountant since she was eight. She is among the pioneer batch of graduates from the Nitec in Finance Services course which was launched by ITE in 2014, before progressing to and graduating from Higher Nitec in Accounting recently. Excited by the career prospects within the profession, she says, “I hope to continue my studies towards qualifying as a Chartered Accountant of Singapore, and becoming a qualified accounting professional recognised for holding the highest standards in ethical and professional conduct and technical excellence.”

Towards professional recognition

Currently enrolled in the ISCA Accredited Accounting Technician (ISCA-AAT) Qualification, Kim is on her way to professional recognition. “I first heard of ISCA-AAT when I was in ITE. All students were asked to attend the ISCA career talk at the auditorium. Because getting into the local polytechnics may be difficult with my results, ISCA-AAT has opened another door for me,



providing an alternative pathway towards professional recognition,” she shares.

Designed to meet the needs of employers, ISCA-AAT seeks to equip students with core technical skills in accounting, local tax, local law and IT skills relating to technology solutions of today and the future, building capabilities and sustainable productivity gains in the finance function. Launched in collaboration with the Association of Accounting Technicians (AAT) based in the UK, ISCA-AAT is internationally recognised and based on industry-focused, real-world accounting knowledge that can be put to use from day one.

Kim, who is progressing into the Professional level or final stage of the Qualification, touched on the skill sets that she has acquired from the Qualification. “It’s not just the technical skills; I also acquire soft skills in the process of studying, like time-management skills and analytical skills. To be well-prepared

for each assessment, I set aside at least five to seven hours a day to study, making full use of the online resources available. Once I have created a timetable that fits my schedule, I can then focus on my studies, including taking regular breaks. I would say that ISCA-AAT provides me, and other students, with a foundation in accounting and analytical skills to make sense of financial information.”

She elaborates, “The IT (Information Technology for Accountants) module in the Qualification is very practical as it incorporates awareness of new technologies and trends in accounting, as well as the Microsoft Office Specialist Certification in Excel. The specialised nature of this module and the Qualification are highly valued by employers.”

Aspiring accounting professionals who complete the ISCA-AAT Qualification will attain a professional designation and are eligible for the Affiliate (ISCA) membership. With



“Being a former ITE student, coming this far has not been smooth sailing. Along the way, especially in accounting, I have encountered many hurdles, but I believe it’s all worth it as my hard work brings me closer to my career goals.

The ISCA-AAT Qualification is recommended for students who wish to have a career in Accountancy with a professional qualification instead of through a traditional academic route. I chose the Qualification as it is internationally recognised and highly respected, with a commitment to excellence in the industry. It offers flexible options, so students can choose their preferred mode of study for various modules, whether it is self-study or classroom-based learning.

My advice to people embarking on the ISCA-AAT Qualification is, be passionate about your goals and continue to chase your dream for success.”

KIM YUI MIN, ISCA-AAT student

the Mutual Recognition Agreement (MRA) between ISCA and AAT, ISCA-AAT graduates can also apply to be a full member of AAT and stay connected with the international community of recognised accounting technicians. The ISCA and AAT memberships provide recognition of their achievements and commitment towards continuous professional development. Successful completion of the ISCA-AAT will also mean

generous exemptions and a fast-track route to UK chartered and certified accountancy bodies.

Contact us

For more information on the ISCA-AAT Qualification, please contact ISCA Pathways Development and Qualifications at 65975610 or iscaaat@isca.org.sg. Visit our website at <http://isca.org.sg/isca-aat> for more details.

Benefits of ISCA-AAT to Businesses

+ Tailor-made qualification built for progressive workplace

ISCA-AAT provides your staff with the in-demand skills that improve business productivity. Featuring the flexibility to take up individual modules, levels or qualification, ISCA-AAT can be customised to business and individual needs.

+ Attracting and retaining the best talent

By investing in training, you demonstrate your commitment to their career progression, increasing the value of your workforce.

+ Delivery of practical skills that make a difference

From their first day of training, ISCA-AAT students learn solid accounting skills and practical knowledge that they can apply directly at work. ISCA-AAT assessments are computer-based and task-oriented, and students are tested according to a broad base of practical skills including those that integrate with new technology.

+ Working around you

With its flexibility, ISCA-AAT helps your staff to develop their skills while contributing effectively to your business. Assessments are available throughout the year, allowing your staff to complete the Qualification with minimal disruption to work.

+ Competitive edge for your business

Graduates of ISCA-AAT are eligible to be members of ISCA and AAT. Your staff will be equipped with ongoing professional accounting skills and industry knowledge which will support both their career development and give your business a competitive edge.

IN TUNE

ISCA NEWS

ISCA Members' Privileges Programme

As an ISCA member, do you know that you can flash your electronic card and enjoy benefits at selected partner stores, such as Jumbo Group, BMW, Singapore Marriott Tang Plaza Hotel and selected hotels under Far East Hospitality?

Your membership benefits now extend beyond signing up for CPE courses at members' rates and accessing the Technical Knowledge Centre. This is part of the newly-revamped ISCA Members' Privileges Programme (MPP) to allow our members to enjoy special deals and discounts from various merchant partners, enhancing our value to you as an esteemed member of the Institute.

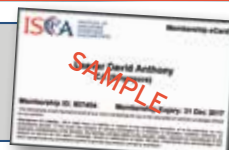
The programme currently covers a gamut of products and services from credit card to automobile, food & beverage, hospitality and health. We will continue to bring on board more exciting merchants in time to come.

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

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*Exclusions apply

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- *The corporate rates are valid from 1 Jan - 31 Dec 2018 and blackout dates apply

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IN TUNE

ISCA NEWS

ISCA Games 2017 Closes on High Note

ISCA Games 2017 came to an end on a high note, after fellow accountants had battled it out in 27 competitive and challenging sporting categories. On Thursday, 23 November 2017, more than 140 members from the various participating accounting firms gathered to relive their exciting moments of competition, celebrate victories and share anecdotes with each other at The Bank Bar + Bistro.

The Games saw a total of 15 accounting firms participating in the various challenges, with two firms going neck-and-neck for the Overall Champion title. Once again, KPMG successfully defended its championship title, for the fifth year

running. The firm chalked up a total of 61 points; Deloitte & Touche came in second with 55 points. They were followed by PwC, EY and Commerce respectively. In all, 18 teams from Commerce, comprising professional accountants in business from different companies, took part in the Games, marking an increase of about 40% more participants compared to 2016.

The ISCA Games promotes a healthy lifestyle and work-life harmony, while also marking a special time for accountants to

▼ **ISCA CEO Mr Lee presented Plaques of Appreciation to Deloitte & Touche, Ernst & Young, Foo Kon Tan LLP, KPMG, Mazars LLP and PwC**



▲ ISCA CEO Lee Fook Chiew extending a warm welcome at the ISCA Games Closing Ceremony



▲ Checking out the inscriptions on the different trophies



▲ Fostering camaraderie among members of the profession



◀ Participants in high spirits and enjoying their night at The Bank Bar + Bistro



▲ ISCA VP Kon Yin Tong (right) presenting the ISCA Games 2017 Overall Championship trophy to KPMG representative Leong Kok Keong, Partner, Head of Financial Services



▲ KPMG celebrating their victory as the ISCA Games 2017 Overall Champion, for the fifth consecutive year



▲ Cheers to another successful ISCA Games

enjoy themselves, make new friends, and challenge themselves through sports and friendly competition. The interaction and networking contribute towards building a united, cohesive accounting fraternity by fostering camaraderie among members of the profession.

We would like to express our heartfelt thanks to all participants and supporters for their continuous support of the Games. We look forward to even more enthusiastic participation in ISCA Games 2018, so get your teams ready, and don't stop training.

IN TUNE

ISCA NEWS

► The popular annual session on GST updates ended with a Q&A session fielded by a panel of experienced IRAS officers



▲ Tax practitioners at the capacity-filled event listened to various GST updates on a wide range of issues



▲ IRAS' Assistant Commissioner Tang Siau Yan clarified the doubts of participants during the Q&A segment of the Transfer Pricing Compliance TED

Get Techno and Techie on Tax

From technology to the finer technical aspects of tax, the Singapore Institute of Accredited Tax Professionals collaborated with the Inland Revenue Authority of Singapore (IRAS) and the Tax Academy of Singapore on various fronts to advance the practice of tax.

With the ever increasing demand to deliver speedy service and respond on-the-move, the IRAS Tax Agent e-Services was further enhanced for tax professionals to be able to access holistic information on-the-go. Tax professionals were provided an exploratory overview by IRAS officers of the new features as well as various tips and tricks to navigate with greater ease.

To further reinforce tax agents' understanding, two exclusive hands-on workshops were also organised for accredited tax professionals in consultancies to better understand the navigational tools within the Tax Agent e-Services platform.

Complementing these sessions was a *Tax Excellence Decoded* (TED) session on tax compliance highlighting the common errors and blind spots in corporate tax filing. The session was

much appreciated as tax professionals tunnelled through the year-end tax peak.

It wasn't just tax compliance that the collaborative efforts focused on. Transfer Pricing (TP) continued to be a much talked-about area. Places for a TED session on TP Compliance were snapped up by tax professionals, who gained clarity from IRAS' Assistant Commissioner, Tang Siau Yan, on the various TP developments and resulting business implications.

Going into the finer details of technical areas in tax, a session on IRAS' e-Tax guide on the Total Assets

Method was organised for both accredited tax professionals and chartered accountants. The compact, 1.5-hour session was described as "very informative, good and insightful".

A sold-out session covering various Goods and Services Tax (GST) e-Tax guides was also organised jointly with the Tax Academy of Singapore. Participants received privileged access to IRAS officers who explained industry-specific as well as broad GST issues such as fringe benefits, customer accounting for prescribed goods and GST implications on the digital economy.

To find out more on upcoming TEDs by SIATP, email enquiry@siatp.org.sg.



▲ IRAS officers continued to address participants' queries after SIATP's TED session on tax compliance had ended

ARE CONTRACT JOBS GOOD FOR MY CAREER?



Contract workers are employed at a specified remuneration for a predetermined period or until the completion of a project. In the past, many applicants avoided contract work, believing that frequent job changes demonstrated a lack of professional commitment. The current job market is however changing and the general opinion regarding contract work is becoming more positive. Here are some advantages of contract jobs that might have been overlooked.

DIVERSE EXPOSURE

With contract employment, you might be able to work for a variety of companies in different industries. Even if each contract involves a similar job function, every organisation would have its own way of doing things, perhaps even in different regions, providing you with new, diverse experiences. This, together with the advantage of working with more people, would give you greater insights into how to do your job better with each new firm as well as constant exposure to new learning opportunities.

COMMUNICATION SKILLS

Working for different companies and therefore with more people challenges you to become a better communicator, especially when it comes to diplomacy and negotiating with people of different personalities as you take on more contract jobs.

INCREASED EMPLOYABILITY

As you improve your skills and knowledge with each new contract and employer, your CV would become more robust. Prospective employers would see your wider range of skills and experiences, making you potentially more attractive to recruiters.

WIN-WIN SITUATION

Today, more people are shifting their focus from taking up a job just for remuneration to trying to obtain an optimal work-life balance. Contract workers may work full-time or part-time, in-house or remotely over the internet. For organisations, contract work also provides a platform to improve their headcount approval process, giving HR a gateway to convert good contract employees to permanent headcount after their contracts expire, resulting in a win-win situation for all.

"Based on our engagement with clients across sectors and industries, we saw a tremendous increase in contract/temp requirements, accounting for at least 45% of total job orders. The market has certainly shifted and contract/temp demand has increased, especially this financial year."

Yang Li Lian, Director of AccountStaff

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2018

What Lies on the Horizon



By
GERARD EE

B

eing a true-blue Singaporean, I love my food. If you ask Singaporeans what their pastime is, they are highly likely to say they enjoy eating. This is not surprising given that eating is

Singapore's favourite national pastime. Hence, as I paint what lies ahead for the accountancy profession, I am going to connect it with food, specifically to the well-loved, and popular Cantonese "dim sum" which many of us enjoy.

According to Wikipedia, dim sum has its roots in travellers on the ancient Silk Road who needed a resting place. For these weary travellers, dim sum was to warm their hearts and fill their hungry stomachs before they continued the arduous journey ahead. A more romantic version refers to a royal concubine in ancient China who perfected the culinary art to capture the emperor's heart.

I was having dim sum recently and, as my chopsticks landed on a piping hot siu mai in a bamboo steam basket, it struck me that the

meticulous care and preparation that goes into making dim sum is similar to the efforts the Institute puts into developing initiatives for its members over the years.

ADAPTING TO THE TIMES

Disruptive forces have taken the world by storm in recent years, with technology probably the most disruptive of them all. Singapore has not been spared from the sweeping changes brought on by technology disruption. The confluence of new technologies is ubiquitous – from autonomous vehicles to cashless payments and a humanoid robot named Sophia¹ which has been granted citizenship by Saudi Arabia, to name a few. New technologies have fundamentally changed how we live. It has also disrupted (and at times, destroyed) existing business models and created new ones. Think Airbnb and Uber. So how do we survive in such dynamic times?



... it struck me that the meticulous care and preparation that goes into making dim sum is similar to the efforts the Institute puts into developing initiatives for its members over the years.

¹ Meet Saudi Arabia's first 'Audrey Hepburn' robot citizen", 10 Oct 2017, The Straits Times online



In the world of food, there are disruptions too. We can imagine that dim sum served in the days of the Silk Road would be vastly different from the dim sum we eat today in teahouses and restaurants. Dim sum probably survived through the centuries because it evolved with the times and adapted well to the changing palates of different generations. This is exactly what we – as a chartered accountant, an Institute and a profession – need to do to adapt and transform with the times so as to remain relevant.

As the government positions Singapore for the future economy as guided by the report of the Committee on the Future Economy (CFE), the Institute has been taking concrete



The Institute is developing a guidance to create awareness on the role of financial statement auditors in cybersecurity, and to explain how these threats can impact financial reporting and the audit procedures.

steps to prepare members and the profession to be future-ready. While ISCA can peer into the future, we cannot foretell it with certainty, especially with change happening at today's lightning speed. It is thus important for the Institute to be able to feel the pulse of the business and accountancy sector in order to develop the right initiatives to future-proof the profession.

To do so, ISCA has increased the frequency of engagement with members through various platforms

such as networking sessions with leaders of the accountancy firms, senior members in business and young professionals. The interaction with members is a valuable channel for ISCA to gather first-hand insights and feedback on the emerging needs of the accountancy profession. This will enable ISCA to develop initiatives that better support the needs of members

² The Skills Framework for Accountancy is a SkillsFuture Initiative developed for the Singapore workforce to promote skills mastery and lifelong learning, and is an integral component of the Professional Services Industry Manpower Plan.

in respect of the new economy. In turn, members can manoeuvre with greater confidence into the future.

LEARNING AGILITY CRITICAL FOR SUCCESS IN TODAY'S DYNAMIC WORLD

Another possible reason why dim sum survived through the centuries is probably attributed to the lifelong learning attitude that dim sum masters had towards perfecting their craft. As a culinary art, dim sum requires the patience, dedication and passion of chefs to continuously hone their skills in making the tiny morsels visually attractive and tasty. Their learning agility – the ability to continually learn, unlearn and relearn – was critical in preserving and innovating the art of dim sum. As they learned traditional techniques, they also had to ditch old “rules” and pick up new knowledge to create even





Chartered accountants are starting from a position of strength as their rigorous professional training has provided them with a strong foundation to develop new skills to enter various specialisation fields. ISCA has been developing specialisation pathways to facilitate chartered accountants to transit into high growth practice areas.

more exquisite dim sum dishes to keep up with changing palates.

The same can be said of the accountancy profession. Accountants today still learn the basic accounting principles, but we will have to ditch old ways such as manual audit sampling, and pick up new skills befitting the modern workplace, like data analytics.

In today's technology-driven era, new knowledge and skills in areas such as data analytics, cybersecurity, coding (example, python for business) and blockchain are in demand. To address this emerging demand, ISCA has been rolling out continuing professional education (CPE) courses covering these topics. To further drive the Institute's plan to improve the relevance and value of ISCA's CPE programmes, a new CPE Committee was set up in early 2017. The Committee is tasked with providing strategic guidance on the development

of CPE programmes and aligning them with the Skills Framework for Accountancy.² The Committee is also responsible for identifying emerging training needs and translating them into CPE programmes.

SUPPORTING ISCA'S DIVERSE MEMBERSHIP: SOMETHING FOR EVERYONE

Dim sum is ideal for gatherings and celebrations. According to the Hong Kong Tourism Board, there are as many as 150 dim sum items in a restaurant menu and 2,000 in the entire range. The variety is so extensive that there is bound to be something for everyone, regardless of age, palate, likes or dislikes.

In the same vein, ISCA strives to support the needs of our diverse membership. Besides expanding the range of ISCA CPE courses, the Institute will also be rolling out seminars

targeted at different membership segments in 2018. For the under-35 group, preparations are underway to hold a symposium aimed at keeping young professionals informed of trends and developments shaping the future economy and the implications to the profession. Through this, we hope to encourage young accountants to acquire new skills and inculcate an enterprising mindset at work. For public accountants, technology would continue to be the mainstay as we continue to encourage the use of technology as an enabler to transform practice firms. Last but not least, for members in business, we will be emphasising the importance of business partnering. We will urge this group of members to be innovative in their work and strive to become strategic business advisors in their organisations.

As the saying goes, the young is our future. It is thus important for ISCA to further deepen its engagement with young professionals. Going forward, we will provide platforms for young accountants to strengthen and expand their professional network, learn and share with peers from across industries and broaden their perspectives, and put their minds together to discuss trends and challenges, and expand their knowledge.

In line with Singapore's move towards a skills-based economy, the Institute will be launching the ISCA small and medium-sized practices (SMPs) learning roadmap in January 2018. The roadmap is a guide for auditors working in SMPs to use as a reference for their career development. Following this, the learning roadmap for accountants in small and medium-sized enterprises (SMEs) will also be developed. These learning roadmaps will map out the recommended skills at each level and the available learning opportunities. They are designed to enable members to take charge of their career development.



... we will provide platforms for young accountants to strengthen and expand their professional network, learn and share with peers from across industries and broaden their perspectives, and put their minds together to discuss trends and challenges, and expand their knowledge.

INNOVATION CREATES NEW OPPORTUNITIES

Dim sum today is vastly different from what I had as a young man. In the early days, siu mai was old-school style, with minced pork filling and wanton skin wrapped tightly around it. Some versions of siu mai today are more exotic, featuring crab and shark's fin filling, caviar and abalone toppings! This came about as chefs discovered new ingredients and innovated the traditional dim sum. This led to new dim sum creations which cater to more contemporary and adventurous

tastebuds. In turn, it has helped to preserve and revitalise the traditional Cantonese cuisine.

Likewise, the accountancy profession should be innovative in its services offerings for businesses and stretch itself beyond just accounting and financial reporting. It should branch out into new high growth practice areas where the skill sets of accountants would be an asset. The Working Group on Legal and Accounting Services under the CFE has identified nine high growth areas which can help drive demand

for Singapore's legal and accounting services. The future economy will give rise to expanded career options for accountants. Chartered accountants are starting from a position of strength as their rigorous professional training has provided them with a strong foundation to develop new skills to enter various specialisation fields. ISCA has been developing specialisation pathways to facilitate chartered accountants to transit into high growth practice areas.

Financial Forensic Accounting Qualification

At the inaugural ISCA Financial Forensic Conference on 28 September 2017, the Institute launched the ISCA Financial Forensic Accounting Qualification, or ISCA FFA Qualification in short. This is the first financial forensic accounting qualification offered by a professional body in Southeast Asia. The ISCA FFA Qualification and conferment of



the Financial Forensic Professional (FFP) credential will commence in March 2018, and I welcome existing and aspiring financial forensic professionals to further their professional development with ISCA.

Business Analytics

According to a survey of Chief Information Officers (CIO) and technology leaders by recruitment consulting firm Harvey Nash and business consulting firm KPMG, 51% of the respondents in Asia Pacific indicated that big data/analytics remained the most in-demand skill, followed by business analysis at 37%.³ The high demand for data analytics skills has prompted ISCA to collaborate with Singapore University of Social Sciences to jointly launch the Business Analytics certification programme in the first quarter of 2018, to equip

professional accountants with the relevant IT skills.

Project Financing

With ASEAN countries looking to develop their infrastructure, projects and infrastructure has been identified as a high growth area. Project financing knowledge is in great demand in the region and ISCA is currently exploring with a Big Four firm to develop a specialisation pathway in this area.

Helping Companies in Sustainability Reporting

With the Singapore Exchange mandating the issuance of sustainability reports for listed companies for financial year ending on or after 31 December 2017, companies would need to integrate innovative solutions that enhance business sustainability into their operations, thus meeting investors' demands and customer expectation.

Similarly, ISCA is also innovating to support members in their sustainability reporting (SR) journey. To promote thinking and discussion around SR, and to help new or early-stage SR adopters kick-start their journey, ISCA launched the SR Implementation Roadmap in September 2017. The roadmap seeks to provide practical guidance on the SR implementation process as well as key considerations for the company's first sustainability report.

ISCA recognises the pivotal role of Chief Financial Officers (CFOs) in spearheading quality SR. In addition to the "Sustainability Roundtable Report – CFOs for Sustainability Reporting" issued in September 2017, ISCA will continue the discussions among CFOs via the SR Mentorship platform whereby experienced/mature SR reporters will share their insights and experiences with early-stage SR adopters.

As we continue with the SR journey, assurance is one key element which enhances businesses'

sustainability efforts and practices. To promote high quality assurance services on SR, ISCA will be working together with subject matter experts to develop an SR assurance framework. This will establish a level playing field for SR assurance services.

Cybersecurity

Increasingly, technology is one of the key drivers in redefining the world we live, work and play in. With this, cybersecurity risks are becoming increasingly prevalent and can pose immense challenges to organisations. Financial statement auditors cannot ignore such risks which can impact the company's financial statements and company's assets to a material extent. The Institute is developing a guidance to create awareness of the role of financial statement auditors in cybersecurity, and to explain how these threats can impact financial reporting and the audit procedures.

CLOSING REMARKS

Dim sum in Mandarin is 点心. Taking the words apart, 点 means "to touch lightly" and 心 means "heart". Every piece of dim sum is meant to "lightly touch your heart".

I probably have worked up your appetite for what ISCA has in store for you in 2018. Over the years, the Institute has wholeheartedly dedicated itself to supporting members' needs and delivering membership value. Like dim sum, each initiative is prepared with dedication and passion by the Institute. I hope that the Institute's efforts in transforming itself into a globally recognised professional accountancy body and bringing value to members have "lightly touched your heart".

It has been my pleasure to share with you my thoughts on what lies ahead for the accountancy profession.

I wish all ISCA members good health, success and a very happy New Year! ISCA

Gerard Ee is President, ISCA.

³ "Big data, analytics skills in hot demand amid tech boom", 23 May 2017, Today online



“The rich diversity of cultures and lifestyles in these countries is what makes them interesting. This applies to companies that operate in the Southeast Asian region as well, and how such diversity could affect the way companies run their businesses.”



BEYOND SINGAPORE

THE ASEAN EDGE

Jake Yeo, CA (Singapore), Audit and Assurance Manager, Deloitte & Touche LLP

With the establishment of the ASEAN Economic Community, ASEAN's golden jubilee and Singapore assuming the ASEAN chair in 2018, ASEAN is where the action is. 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 inaugural feature on overseas members, CA (Singapore) Jake Yeo, 31, Audit and Assurance Manager of Deloitte & Touche LLP, Singapore shares his insights on working in the Philippines.

T

he bright lights and glamorous image of cities such as London, New York and Tokyo often lure young professionals seeking an overseas work experience. However, those with an astute sensitivity to the changing winds in the business world will know that a stint within the ASEAN region will be no less enriching

to their careers. After all, ASEAN political leaders are projecting for the region to become the fourth-largest economy in the world by 2050. This rapid economic growth has enticed companies to make inroads into member countries of this regional intergovernmental organisation. This in turn increases the demand for accounting professionals who know the ins and outs of this colourful region comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – each with its own unique economic background and culture.

Jake Yeo certainly understands the value of an ASEAN experience. The Audit and Assurance Manager of Deloitte & Touche LLP, Singapore has had the opportunity to work at the Deloitte London office and frequents glitzy cities such as Tokyo and Beijing. However, the ASEAN region presents special excitement for this manager of a portfolio of international clients whose businesses spread across the Asia-Pacific region. "ASEAN countries may be in close proximity to one another, but each is different in its own way. The rich diversity of cultures and lifestyles in these countries is what makes them interesting. This applies to companies that operate in the Southeast Asian region as well, and how such diversity could affect the way companies run their businesses. Accounting professionals need to understand this before we can better

serve our clients in this region.” Mr Yeo observes that many might think that being posted to ASEAN countries is a hardship, but he emphasises that every posting location has its pros and cons. “If one has the mentality to take things in a positive stride, every experience of working overseas can be rewarding in its own way.”

A CULTURAL AWAKENING

In his current role, Mr Yeo spends a significant amount of time in Manila, “enough for me to experience the work culture and lifestyle of the local people”. This means that he is able to see past stereotypes to understand the reasons behind certain ways of doing things. “There is this stereotype about the ‘Filipino time’, whereby people turn up for appointments anywhere from 30 minutes to two hours late. It is a constant joke as to whether someone will show up at the standard time or on Filipino time.” However, jokes aside, Mr Yeo explains that the situation has much to do with the extremely unpredictable traffic conditions in Manila. He would know, having himself once missed a flight as a result of being stuck on the roads for more than four hours.

Understanding the intricacies of the Filipino work culture also allows Mr Yeo to communicate better with his clients. “My client contacts (in the Philippines) are a mix of international and local people. I would not say there is a language barrier (as most Filipinos speak English), but they tend to be more comfortable communicating in their local language.” Taking note of the language preference, Mr Yeo always brings a local Tagalog-speaking Deloitte audit team member who can assist him in communicating with the clients. “I would like to think that, through my overseas experience, I am able to communicate more effectively, thoughtfully, and confidently in a business environment. Communicating with clients and colleagues when navigating through linguistic and

cultural differences forces me to listen harder and speak clearer. I am also exposed to more ideas and a different business etiquette, which gives me more options when it comes to tackling work issues,” says Mr Yeo. “The overseas work experience has certainly broadened my perspective and provided me with a stronger foundation in my day-to-day work, which at times, requires me to interact with my international colleagues on global-collaborated assignments, and my overseas clientele.”

Mr Yeo believes that overseas mobility is a key quality for the leaders of the future, and that working abroad – beyond being a career milestone on one’s CV – is also a demonstration of one’s ability to step out of his or her comfort zone, and adapt to a foreign and challenging work environment. “With increased support from government bodies and companies, I would imagine there will be more and more structured programmes or scholarships being created to incentivise professional accountants to seize overseas work opportunities,” he says. Deloitte, for one, has a Global Mobility Programme which gives their staff short to long-term secondment opportunities in ASEAN countries (and other countries around the world). ISCA is also lending support to the growth of the accounting profession across the ASEAN region with the ASEAN CPA. Memoranda of Understanding with the Laos Chamber of Professional Accountants and Auditors, and the Myanmar Institute of Certified Public Accountants, also

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“Being an ISCA member means you are part of a network of over 32,000 accounting professionals. This gives us the opportunity to learn and interact with those members who are working or have worked in various countries around the ASEAN region.”

aim to co-develop the accountancy profession in these countries through capability-building programmes.

“Being an ISCA member means you are part of a network of over 32,000 accounting professionals. This gives us the opportunity to learn and interact with those members who are working or have worked in various countries around the ASEAN region,” shares Mr Yeo.

For those wishing to gain an overseas experience in the ASEAN markets, he lends practical advice – find out more about the ASEAN country you are interested to work in, before deciding on the big move. “The working culture, local lifestyle and transportation network are some aspects to consider if one is suitable to take the leap forward. Of course, not all aspects will be the same as Singapore, thus, it is important to have an open mind to embrace a new way of life.” ISCA

Career Milestones

2010	Bachelor of Accountancy (Honours), Nanyang Technological University
2010	Joined Deloitte & Touche LLP, Singapore
2013	Assistant Manager, External and Internal Audit, Deloitte & Touche LLP, London
2015	Manager, Audit and Assurance, Deloitte & Touche LLP, Singapore



CHINA'S BELT AND ROAD INITIATIVE

What It Means for the Countries Involved



BY
SUAN TECK KIN

The Belt and Road Forum for International Cooperation (BRF), held in Beijing on 14 and 15 May 2017, reaffirmed China's stance on mutual cooperation. In the presence of over 1,500

delegates from over 130 countries and some 70 international organisations, Chinese President Xi Jinping noted the need to join hands to meet the global challenges in the principle of extensive consultation, joint contribution and shared benefits. Therefore, the Belt and Road (B&R) Initiative will be one means to align countries' policies and integrate economic factors and resources on a global scale to create synergy to promote world peace, stability and shared development.

President Xi noted that the B&R Initiative is about building partnerships and not about forming alliances, suggesting the initiative is leaning largely towards a trade/commerce approach rather than from

a political angle. Another contrast is the position China has taken with B&R, that is, towards more open, inclusive, and globalised trade, investment, commercial, cultural, and people-to-people exchanges, compared to increasing trends towards inward-looking, nationalistic, exclusionary and populist policies adopted by some major economies. BRF 2017 also served as a checkpoint for the B&R Initiative first mooted by President Xi in 2013, to gauge the successes and challenges as it moves forward. The next BRF is scheduled to be held two years later in 2019.

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... the B&R Initiative stands in sharp contrast as it aims to further peaceful cooperation and common development around the world to promote efficiency in the flow of production factors and integration of markets, in order to achieve diversified, independent, balanced and sustainable development.





SIZE OF B&R: A FORCE TO BE RECKONED WITH

As seen in the Table 1, B&R countries, along with China, are an economic force to be reckoned with as their size is equivalent or even larger than some of the trade blocs. While the B&R Initiative is not a trade bloc, its economic size is equivalent to that of the Trans-Pacific Partnership (TPP) including the US, at 40% of global GDP. With the US withdrawal though, TPP will just be a shadow of its former self. B&R countries also have access to a large population bloc of 4.4 billion, which is the largest compared to other potential trading blocs. This means that with infrastructure, especially transportation and communications networks, being built up, the B&R Initiative will indeed present a wide span of opportunities for commercial and people-to-people exchanges.

As nearly 40% of the global economy consists of emerging economies (in 2016, vs 20% share in 1996), a more inclusive and open arrangement, such as B&R, will be beneficial to their development as it allows for greater participation of opportunities.

LINING UP FINANCING SUPPORT

Financing is at the centre of the B&R Initiative and the Chinese government

has announced a list at the BRF 2017 session in Beijing (Table 2). Based on the figures disclosed, China will be committing at least RMB780 billion (SG\$158.9 billion) at this stage. Two questions arose: What is the source of funding? Is this figure sufficient for the B&R Initiative?

As for the source of funding, the bulk of the funding is denominated

in RMB, which means that the Chinese government is eying greater use of the domestic currency in this project. With the Chinese central government debt ratio well below 20% of China's GDP, there is room to leverage up should there be a need to do so.

In terms of sufficiency, there is certainly much financial gap to fill as the Asian Development Bank (ADB)

Table 2 B&R: Dollars And Cents Announced During BRF In 2017

Items	Amount
Silk Road Fund (additional injection)	RMB100bn
Overseas Fund Business in RMB for promotion of RMB usage	RMB300bn
China-Russia Regional Cooperation Development Investment Fund	Initial capital RMB10bn Total size RMB100bn
China Development Bank to set up the Belt and Road Multi-currency Special Lending Scheme for Infrastructure Development	RMB 100bn equivalent
China Development Bank to set up Belt and Road Multi-currency Special Lending Scheme for Industrial Cooperation	RMB 100bn equivalent
China Development Bank to set up Belt and Road Multi-currency Special Credit Lines for Overseas Financial Institutions	RMB 50bn equivalent
Export-Import Bank of China to set up Belt and Road Multi-currency Special Lending Scheme	RMB 100bn equivalent
Export-Import Bank of China to set up Belt and Road Multi-currency Special Lending Scheme for Infrastructure Development	RMB 30bn equivalent
Chinese government to increase its assistance to the developing countries along the B&R	At least RMB 60bn over next 3 years
Chinese government to provide emergency food aid to the countries along the B&R	RMB 2bn
China to replenish the South-South Cooperation Assistance Fund	US\$1bn
China to provide funding to relevant international organizations to jointly promote the implementation of international cooperation projects benefiting the countries on the B&R	US\$1bn

Source: yidaiyilu.gov.cn, UOB Global Economics & Markets Research estimates

Table 1 Comparison* Of B&R To RCEP And TPP

Indicator	TPP	TPP (ex US)	B&R	B&R (ex China)	RCEP	FTAAP
No. of Economies	12	11	68	67	16	21
Population	800mn	490mn	4.4bn	3.2bn	3.5bn	2.9bn
Nominal GDP (US\$ tn)	27.5	9.4	22.0	12.0	22.6	43.8
% of Global GDP	40%	13%	40%	16.0	30%	60%
% Share of Global Trade	26%	15%	34%	22%	29%	50%

*B&R (Belt & Road) is not a trade agreement and is included here for comparison purposes only.

TPP (Trans-Pacific Partnership, 12 members): The US, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru. US President Trump announced on 23 Jan 2017 the US' withdrawal from TPP.

RCEP (Regional Comprehensive Economic Partnership, 10+6): ASEAN's 10 members plus China, Japan, South Korea, India, Australia, and New Zealand.

FTAAP (Free Trade Area of the Asia-Pacific): Currently all 21 members of APEC (the US; Australia; Brunei; Canada; Chile; China; Hong Kong; China; Indonesia; Japan; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Philippines; Russia; Singapore; Republic of Korea; Chinese Taipei; Thailand; and Viet Nam).

Source: IMF, World Trade Organization (WTO), Bloomberg, UOB Global Economics & Markets Research estimates



Ho Chi Minh City, Vietnam

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... with infrastructure, especially transportation and communications networks, being built up, the B&R Initiative will indeed present a wide span of opportunities for commercial and people-to-people exchanges.

estimates that Asia alone needs to spend US\$1.7 trillion per year in infrastructure investments until 2030. As the B&R Initiative is meant to be a mutual cooperation project, financing is expected to be coming from different sources, including multilateral agencies such as the Asian Infrastructure Investment Bank (AIIB), ADB, World Bank, and the private sector.

B&R BY THE NUMBERS:

- The B&R Initiative, which was first unveiled in 2013, consists of six economic corridors spanning 68 countries. Together, they represent more than 60% of the global population and around 40% of global GDP. The B&R Initiative will connect Asia, Africa, the Middle East and Europe.
- Chinese investments related to the B&R Initiative have totalled US\$60 billion since 2013 and look set to pick up with US\$600 to \$800 billion

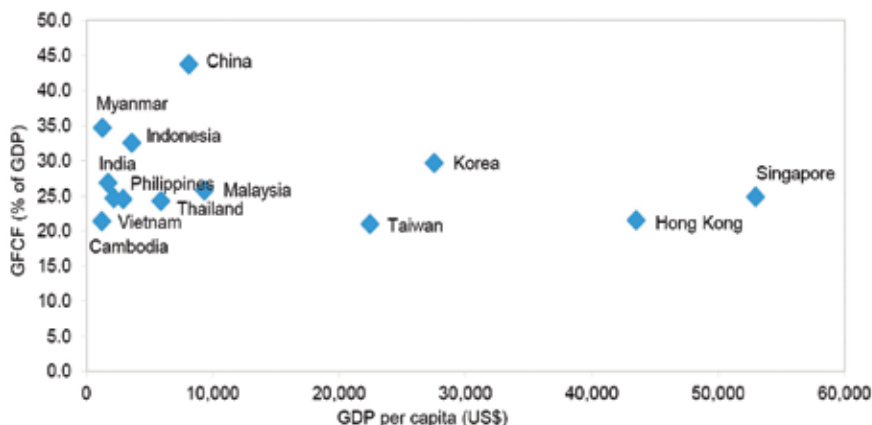
- investments planned for the next five years – equivalent to US\$120 to \$130 billion per year over the period. Although the amount is large, it dwarfs in comparison with ADB's estimates that developing Asia alone needs to spend US\$1.7 trillion per year in infrastructure investments until 2030; of these, Southeast Asia's annual requirement is US\$210 billion. The greatest requirements will be in the power and transport sectors. China is expected to fill a large part of the infrastructure investment gap.
- China's annual trade with countries involved in the B&R Initiative is expected to exceed US\$2.5 trillion within a decade, from US\$954 billion in 2016 (25.7% share of China's total cross-border trade) and US\$877.2 billion in 2012 (25.1% share of China's total cross-border trade volume).
- Top 10 largest B&R trade partners

with China (total trade): Vietnam, Thailand, Singapore, UAE, Russia, Indonesia, Philippines, India, Malaysia, Saudi Arabia.

- The investment and trade opportunities arising from the B&R Initiative will lead to economic development and jobs creation. Between 2013 and 2016, more than 180,000 local jobs were created and paid US\$1.1 billion in taxes to the local governments.
- The China-led AIIB, which was launched in early 2016 with US\$100 billion of initial capital, has granted US\$1.7 billion in loans for nine projects, while the government-backed Silk Road Fund has lent about US\$4 billion of funds, including for a water dam project in Pakistan. The Shanghai-based New Development Bank is another source of funding with US\$50 billion initial capital.
- China Development Bank has granted US\$168.2 billion worth of loans for more than 600 projects since the B&R Initiative was unveiled in 2013, while Export and Import Bank of China has loaned out about US\$100 billion.
- China has committed to inject at least RMB780 billion (US\$113 billion) via its state funds and banks to finance projects in the B&R Initiative. This comprises an RMB100 billion increase to the Silk Road Fund, increase in special overseas loans by China Development Bank and Export and Import Bank of China by RMB250 billion and RMB130 billion respectively, and an encouragement to Chinese banks to set up overseas funds worth about RMB300 billion to help in B&R funding.

Table 3 Investment as % of GDP (2016)

Note: China, Cambodia and Vietnam GFCF based on 2015 data
Source: IMF, CEIC, UOB Global Economics & Markets Research



POTENTIAL BENEFICIARIES OF B&R INITIATIVE

RMB internationalisation

From a trade and investment flows' perspective, increased activities in B&R would naturally lead to greater scope for RMB usage and internationalisation. Of note is that the Chinese government has committed RMB300 billion to Overseas Fund Business in RMB to promote the usage of RMB, according to official documents.¹

Expanded goods and services trade ("current account" flows), financing the supply and demand gap for infrastructure investment in B&R countries coupled with increased outward direct investment (ODI) by Chinese enterprises, banks and government ("capital account" flows) are likely to provide enlarged RMB flows going forward. The share of total goods trade by B&R countries accounted for about 34% of the world's total trade. The B&R countries' total trade with China accounted for 25.7% share of China's total trade in 2016. China's total services trade with B&R countries reached US\$122.2 billion in 2016, accounting for 15.2% of China's total services trade, and 3.4% point higher than in 2015. According to

one estimate, from January 2012 to September 2015, the amount of China's ODI settled in RMB increased from RMB0.2 billion to RMB20.8 billion, the latter accounting for 20% of China's total ODI as of September 2015.

ASEAN

Due to geographic proximity, historic relations, availability of resources and an emerging market, ASEAN is expected to benefit as activities pick up in B&R. This is already reflected in the top 10 trade partners' list with China, where ASEAN countries comprised 60% of the share.

In addition, under B&R, China has a range of arrangements and agreements with ASEAN, including the China-Indochina Peninsula Economic Corridor (as one of the six B&R economic corridors), China-ASEAN Free Trade Area, ASEAN and China Production Capacity Cooperation, and in areas such as maritime, port development, connectivity, tourism, health and environment, among others.

Industries/Sectors to benefit from B&R Initiative

While it is obvious that infrastructure-related development would be the

Table 4 Key Infrastructure Projects (As of May 2017)

China-Europe Railway Express was launched in January 2017. The freight network spans 12,000 km, crossing Kazakhstan, Russia, Belarus, the EU and the UK.

China-Iran Railway freight network became operational in February 2016 where trains pass through Kazakhstan and Turkmenistan before entering Iran.

The Khorgos Gateway dry port connects Kazakhstan to China by rail.

414 km rail line between China and Laos and another more than 800 km long rail to link the Thai-Laos border of Nong Khai with Bangkok as well as Thailand's main deep-sea port in eastern Thailand.

China-funded ports and East Coast Rail Line (ECRL) will connect ports on the east and west coasts of Peninsular Malaysia

300 miles Nairobi-Mombasa railway in Africa.

China-Pakistan Economic Corridor (CPEC) consists of an estimated US\$54bn worth of infrastructure projects. One of the key projects is to connect Pakistan's south-western Gwadar port with Kashgar, a city in China's north-western Xinjiang province.

The US\$7.3bn Central Asia-China Gas Pipeline is a natural gas pipeline system developed as an extension of an earlier pipeline begun by the Soviets.








Source: Newswires; UOB Global Economics & Markets Research compilation

¹"List of deliverables of Belt & Road Forum", 16 May 2017, Xinhua



Kuala Lumpur, Malaysia

Table 5 The Global Competitiveness Index: Infrastructure Ranking (Rank/138 Countries)

							
	Infrastructure Ranking	Quality of Roads	Quality of Railroad	Quality of Port	Quality of Air Transport	Quality of Electricity Supply	Mobile Phone Subscriptions
Singapore	2	2	5	2	1	2	24
Malaysia	24	20	15	17	20	39	27
Russian Federation	35	123	25	72	65	62	13
China	42	39	14	43	49	56	105
Thailand	49	60	77	65	42	61	55
Indonesia	60	75	39	75	62	89	38
India	68	51	23	48	63	88	123
Brunei	78	41	na	87	84	52	85
Vietnam	79	89	52	77	86	85	40
Philippines	95	106	89	113	116	94	65
Cambodia	106	93	98	76	99	106	35
Lao PDR	108	91	na	132	100	77	131
Mongolia	110	109	69	137	124	97	93
Pakistan	116	77	53	84	91	121	130

Source: World Economic Forum, The Global Competitiveness Index Report 2016-17, UOB Global Economics & Markets Research

first areas to benefit from B&R, the Initiative is more than just about infrastructure such as sea/land/air transport, energy, water, information communications, and pipelines. Greater flows of commercial, cultural and people-to-people exchanges will help boost demand for tourism-related industries such as F&B, hotel, recreation and shopping, education, and healthcare.

Closer integration amid protectionist/anti-globalisation environment

Amid a rising protectionist, populist, and anti-globalisation tendency in parts of the world, the B&R Initiative stands in sharp contrast as it aims to further peaceful cooperation and common development around the world to promote efficiency in the flow of production factors and integration of markets, in order to

achieve diversified, independent, balanced and sustainable development. As such, the Initiative should bring about greater level of economic activities among the participants as compared to an isolationist approach. ISCA

Suan Teck Kin is Head, UOB Global Economics & Markets Research. An edited version of this article was first published in the "Quarterly Global Outlook 3Q2017" by UOB Global Economics & Markets Research.

MENTORING OTHERS, MENTORING YOURSELF PART 2

The Mentor's Perspective



BY
PATRICK
O'BRIEN

Part 1 of this three-part series on mentoring, published in *IS Chartered Accountant* journal, October 2017, discusses the origins of mentoring, and how it differs from managing. That article highlights the three essential characteristics of a Mentor – strong communication skills, good EQ, and possessing the relevant wisdom – and how a good mentoring relationship can bring benefits to both the Mentor as well as the Mentee. In this Part 2, we will delve deeper into the intricacies of being a good Mentor, and how a great Mentor-Mentee relationship can be established, from the Mentor's perspective.

A STRATEGIC ROLE: CREATING POSSIBILITIES FOR REAL CHANGE

A Mentor is a man on a mission who plays an active role in relation to their Mentee. It's an enabling mission – one that creates an environment within which their Mentee can grow, and change, in transformational ways.

To achieve growth, they know a Mentee will conduct small experiments, namely, express needs, take risks, receive

feedback, reflect, and learn. A Mentor also recognises that the Mentee needs to feel safe when doing so, otherwise, experimentation will be impaired, perhaps even resisted.

A Mentor therefore needs to create an environment that fosters psychological safety. They need to build relationships that convey positive intentions for their Mentee. It's an interpersonal challenge, because in order to take risks, a Mentee must first feel their participation will not result in negative consequences; a Mentee wants to know their Mentor is there only for them.

A Mentor also needs to create relationships based upon trust. The Mentee needs to trust that time invested with their Mentor will result in personal growth. Equally, the Mentor needs to trust that their Mentee has the right mindset, commitment and appetite for growth.

There are three important areas for a Mentor to focus on as they engage in their mission:

- ✚ Building safe relationships;
- ✚ Providing governance, and
- ✚ Connecting wisdom.

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**(A Mentor) needs to
construct a relationship with
psychological safety in mind,
build it in ways to engender
trust, and allow for honest,
open and regular sharing.**



PHOTO SHUTTERSTOCK



A RESOURCEFUL RESPONSIBILITY: ENABLING COLLABORATION AND LEARNING

The best outcomes are achieved when a Mentor uses their perspective to focus on these three areas.

1 Building safe relationships, to unlock sharing

Relationships are social constructs, and a Mentor knows they have the power to shape effective ones through repeated positive interactions with their Mentee. They also know that it needs to be a relationship that's able to purposefully support a Mentee on their growth journey.

They need to construct a relationship with psychological safety in mind, build it in ways to engender trust, and allow for honest, open and regular sharing. It is about creating a space for rich, influential dialogue which affords Mentor and Mentee friction-free access to exchange a relevant array of information, a smorgasbord of ideas, and a diversity of viewpoints.

Responsibility to build those productive relationships rests with the Mentor, especially in the initial stages. Yet, it's not all about pain, there is gain too. Effective Mentors use the process to further develop their own communication skills and enhance their emotional quotient (EQ).

At a personal level, a Mentor will reflect on aspects related to identity and purpose. For instance, they'll need to consider who they are, how they make plans for themselves, as well as make commitments to others. They'll also contemplate what they enjoy, what they have to offer others, and importantly, their rationale for participation in a Mentoring programme.

At an interpersonal level, a Mentor will reflect on aspects related to communications, influence and change. For instance, they'll need to think about empathy, how they listen to others, as well as how they use body language to build rapport. They'll consider engagement and how they can probe,

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A need to give advice differentiates a Mentor from a Coach. The ability to share pearls of wisdom in relevant, timely and clear ways, separates an ordinary Mentor from an effective one. A Mentor's challenge lies in knowing what to share, when to share, and how to share.

share feedback and manage conflicts that may surface.

They will also reflect upon their own predisposition to change, and the role they play in helping a Mentee countenance transformational change – that is the real purpose that underpins the Mentoring relationships that they construct.

2 Providing governance, to stimulate experimentation

Building a friction-free and trusting relationship that enables a friendly and safe exchange of ideas is an important and necessary early step. In doing so, a Mentor needs to keep their real purpose in mind, which is, helping to foster growth in their Mentee.

Effective mentoring conversations therefore need to hold the Mentee to account. They will lean more toward productivity than they do cosiness. So where a Mentee is highly motivated, they'll need to respectfully rein them in. Where they are not, they'll need to energise them.

Getting that balance right can sometimes be challenging, especially in cultures where group harmony is highly valued. There is danger that a Mentor may fear that their strong focus on accountability may put the relationship at risk. Silence is not an effective Mentoring strategy.

Where a Mentor feels uncomfortable about their role, it can help to view

their relationship like that between a Board and CEO. A CEO provides strategic leadership to achieve organisational transformation. With a Mentee, the focus is self-leadership and the transformation is personal.

Getting a Mentor to frame interactions as a governance relationship is beneficial. It allows them to explore aspects of authority, decision-making and accountability in ways that keep the dialogue safe. It also teases open the Mentor-Mentee roles, bringing clarity and transparency into their relationship.

Accountability, in this context, means ensuring the Mentee has a clearly chosen direction and has identified projects with opportunities to stretch. It also means



PHOTO SHUTTERSTOCK



they make visible progress in ways that develop specific competences.

This requires a Mentor who is comfortable to operate more as a Director than a Doer. To be effective, they'll maintain a relevant distance, and focus on the bigger picture. They'll ensure that decisions are made which keep their Mentee stretched and growing. They are comfortable to work *on* the business of Mentee growth, rather than *in* that business.

3 Connecting wisdom, to positively accelerate growth

Wisdom encapsulates the ability to draw from the well of one's own experiences and expertise, and in doing so, think

and act with common sense and insight. A Mentor's desire to contribute their wisdom lies at the heart of any effective Mentoring relationship.

Their wisdom is shared in one of two ways – through advice, and in giving feedback. Advice is offered in advance for an action, and may not be that specific. It is given by a qualified person, based upon prior experience. Feedback, by contrast, is quite specific, and usually offered up after the completion of an event. It is reflective and may encapsulate personal opinions.

A need to give advice differentiates a Mentor from a Coach. The ability to share pearls of wisdom in relevant, timely and clear ways separates an ordinary Mentor from an effective one. A Mentor's

challenge lies in knowing what to share, when to share, and how to share.

A Mentor must also keep the purpose of the relationship uppermost in their mind. Knowing it's about Mentee growth will allow them to manage feedback so that it's always relevant. They'll determine what's important through productive dialogue. The Mentor will keep their ego in check as they question openly, listen actively and share positively ideas relating to the needs.

Given the relatively infrequent nature of the Mentor-Mentee meetings, timing is important too. An effective Mentor speaks when appropriate, usually as a situation arises. Real-time feedback that is situation-specific, and given face-to-face, usually has the greatest impact. A Mentor's ability to share feedback when needed also makes them more authentic, more influential.

Knowing how to share feedback, in ways that both help the Mentee grow and yet still honour and strengthen the relationship, can be challenging. Empathy is a powerful technique that helps a Mentor imagine how their Mentee feels in any given situation, and guide their response.

Where things don't work out as expected, developmental feedback is required. Rather than assign blame, the Mentor describes events, clarifies impact and emphasises desired behaviours. Where things work out well, reinforcing feedback is given. They specifically describe what worked well, how this made them feel and express a desire to see things repeated.

A Mentor will find it much easier to share advice and feedback when they strengthen their EQ skills. EQ allows them to see things through the lens of their Mentee, and choose ways to express themselves that are relevant and positive. A focus on the growth task is important, while the need to build a productive relationship is necessary too. ISCA

Patrick O'Brien is Managing Director, The Amanuenses Network Pte Ltd.

TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ISCA COMMENTS ON IASB ED: AMENDMENTS TO IAS 16: PROPERTY, PLANT & EQUIPMENT

In response to diversity in accounting for proceeds from the sale of items produced before an asset is ready for its intended use, the ED proposed amendments to require the proceeds to be recognised as revenue and costs of producing such items in profit or loss.

ISCA does not agree with the proposed amendments and has shared many of the concerns expressed in the Alternative View section of the ED. Specifically, ISCA is concerned with the issues of allocation of costs and possibility of earnings manipulation.

For more details, please visit

<https://isca.org.sg/media/2238768/comment-letter-ppe-proceeds-before-intended-use.pdf>

IFRS FEATURE: WHAT INVESTORS ASK ABOUT IFRS 17

IASB issued IFRS 17: Insurance Contracts in May 2017. This new IFRS Standard replaces the requirements for accounting for insurance contracts in IFRS 4: Insurance Contracts from 1 January 2021. Between May and October 2017, members of the IASB and technical staff have met more than 300 investors and analysts to explain how IFRS 17 information will differ from information available today.

Most investors and analysts welcome the improvements in transparency and comparability introduced by IFRS 17. They believe that IFRS 17 will improve financial reporting for insurers, particularly in explaining the source of profits for long-term insurance contracts. The top five questions from investors and analysts include:

- 1) Will IFRS 17 affect dividend payouts?
- 2) How can a principles-based Standard like IFRS 17 improve comparability between insurers?
- 3) Will IFRS 17 bring global comparability to the insurance sector?
- 4) What are the main differences between IFRS 17, regulatory reporting and embedded value reporting?
- 5) How will removing insurance premiums from the income statement improve comparability?

For more information, please visit

www.ifrs.org/news-and-events/2017/11/what-investors-ask-about-ifrs-17/



AUDITING AND ASSURANCE

REFORMS TO THE GLOBAL AUDIT STANDARD-SETTING PROCESS

The Monitoring Group (MG) issued a consultation paper setting out various options to enhance the governance, accountability and oversight of the international audit standard-setting process. The MG is a group of international financial institutions and regulatory bodies committed to advancing the public interest in areas related to international audit standard-setting and audit quality. The consultation seeks to elicit the views of stakeholders on how best to safeguard the independence of the standard-setting process and its responsiveness to the public interest.

For more information, please visit

<https://isca.org.sg/tkc/aa/current-issues/audit-assurance-headlines/audit-assurance-headlines/2017/november/monitoring-group-consultation-reforms-to-the-global-audit-standard-setting-process/>

Automating Payment Processing for Greater Productivity



CHALLENGE

As a global leader in mineral-based solutions increased purchases to meet growing demand, its Singapore office found it increasingly challenging to process voluminous payments to vendors in a timely manner.

Payment processing was tedious and time-consuming as various vendors used different payment modes, such as GIRO, cheque or remittance. The finance team had to manually input transactional data from the firm's Sage 300 accounting system into the bank's portal in order for payments to be released to the vendors. This manual process also presented a high risk of human errors. Consequently, the firm sought a solution from Stone Forest IT (SFIT), its existing service provider for Sage 300 support.

SOLUTION

After consulting with the client, SFIT proposed BankLink, which is able to integrate transactional data from commonly used ERP applications, such as Sage 300, SAP and Oracle, with the bank's solution. BankLink has the following capabilities:

- Translates financial data from the client's Sage 300 system into a format recognised by the bank's solution to rapidly process payments through internet banking
- Eliminates data entry duplication and the risk of human errors arising from such duplication
- Built-in error detection feature provides additional assurance over accuracy of transactional data
- Audit trail of changes made by users

RESULTS

With BankLink, the client enjoyed several benefits:

- Quick and accurate payments to vendors
- A significant increase in productivity at the Singapore office
- Automation of payment processing allows the finance team to focus on revenue-generating activities

The successful project was a result of SFIT's extensive experience in integrating BankLink with several online banking platforms such as DBS IDEAL, Velocity (OCBC), CitiDirect (Citibank), and iFile (HSBC).

HIGHLIGHTS

Industry:

Mineral-based Solutions

Location:

Singapore

Solution:

BankLink

Results:

- Quick and accurate payments
- Greater productivity
- Focus on revenue-generating activities

SENSE AND SENSIBILITIES OF TP METHODS

Comprehend Various Transfer Pricing Methods and their Application



BY
FELIX WONG AND
ANGELINA TAN

As tax authorities around the world continue to focus on transfer pricing (TP), companies must stand ready to defend their TP positions to avoid potential adjustments or penalties arising from TP audits. Maintaining adequate contemporaneous TP documentation is often the key.

TRANSFER PRICING DOCUMENTATION

In Singapore, the Income Tax (Amendment) Bill 2017 introduced a new Section 34F to legislate the requirement for applicable Singapore taxpayers to maintain contemporaneous TP documentation starting from Year of Assessment 2019.

A typical TP document comprises the company and industry analyses, the functional analysis and characterisation of entities, and the economic and

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To apply any particular method, the key is the reliability and quality of data.





Adriana Calderon, Director, Transfer Pricing Solutions Asia, shared her insights on transfer pricing methods and their application

benchmarking analyses. The selection of an appropriate TP method, which is the focus of this article, is the precursor to reliable economic and benchmarking analyses.

OVERVIEW OF TRANSFER PRICING METHODS

The Organisation for Economic Co-operation and Development (OECD) suggests that the most appropriate TP method should be applied when selecting a method to test any particular transaction. Likewise in Singapore, the Inland Revenue Authority of Singapore (IRAS)'s TP Guidelines clarify that it does not have a specific preference for any one TP method. Instead, the method that produces the most reliable results, taking into account the quality of available data and the degree of accuracy of adjustments, should be selected.

In selecting the most appropriate TP method, it is essential to consider the strengths and weaknesses of each method, the nature of the transaction (such as distribution, services, manufacturing, intercompany loans or royalties), the availability of reliable data, and the degree of comparability between the transactions.

"To apply any particular method, the key is the reliability and quality of data," shared Adriana Calderon, Director, Transfer Pricing Solutions

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Asia, during a *Tax Excellence Decoded* (TED) session organised by the Singapore Institute of Accredited Tax Professionals (SIATP). “There must be reliable and comparable data to support the methodology.”

ARM'S LENGTH METHODOLOGIES

There are generally five internationally accepted TP methods. They can be categorised into the traditional transaction methods and the transactional profit methods.

The traditional transaction methods, which comprise the comparable uncontrolled price (CUP) method, the resale price (RP) method and the cost plus (CP) method, compare the prices or margins of related party transactions with the prices or margins of transactions between independent parties. The transactional profit methods, comprising the profit split (PS) method and the transactional net margin method (TNMM), compare the profit arising from related party transactions with the profit generated in transactions between independent parties.

While the traditional transaction methods are generally more precise than transactional profit methods, they may not always be practicable due to the insufficiency of reliable data, uniqueness of product or service, or complexity of the business situation.

Where the traditional transaction methods or the transactional profit methods are equally reliable, the traditional transaction methods are generally preferred.

COMPARABLE UNCONTROLLED PRICE METHOD

The CUP method compares the price for properties or services transferred in a related party transaction to the price charged for properties or services in an independent party transaction in comparable circumstances. There are two ways of applying the CUP method – the internal CUP, which is a transaction

between the tested party and an independent party, and the external CUP, which is a transaction between two independent parties.

The CUP method is the most direct and reliable way to determine the arm's length price. However, it requires a high level of comparability for it to be reliable, such that there must be a high degree of similarity between the product (in terms of product type, specifications, ingredients or components), contract terms (for example, volume discounts), as well as the economic and market conditions. Where material differences that could affect the price exist, reasonably accurate adjustments must be made for the CUP method to remain relevant.

The CUP method is commonly applied in intercompany loans, as well as transactions involving intellectual property and royalties.

RESALE PRICE METHOD

The RP method seeks to establish the price at which a product purchased from a related party is resold to a third party. Essentially, it seeks to value the function performed by the reseller of the product and establish the margin. The RP to the independent party is reduced by a comparable gross margin (or the RP margin) to arrive at the arm's length price of the product transferred between the related parties.

The RP margin should allow the reseller to not only recover its selling and operating costs, but to also earn a reasonable profit based on its functions performed, assets used and risks assumed (FAR).

The RP method is most appropriately applied in circumstances where the reseller or distributor adds little value (for example, performing marketing and sales related activities instead of complicated processing), or where the resale of product is realised in a short period of time after acquisition. Available data of comparable companies at the gross margin level

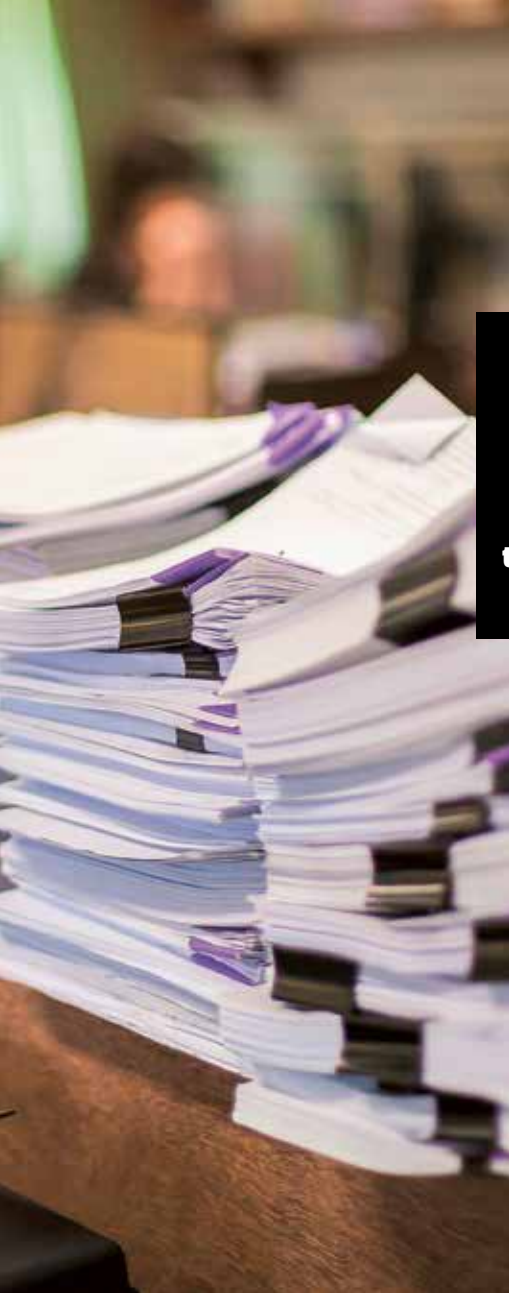
also determines whether the RP method may be reliably used. The main limitation of this method is the reliability of the classification between the cost of goods sold and operating expenses when using external data.

COST PLUS METHOD

The CP method seeks to value the functions performed by the supplier of the properties or services. Essentially, it requires the estimation of an arm's length consideration by adding an appropriate profit mark-up to the costs of the supplier of goods or services (cost base).

The profit mark-up is ideally determined by reference to a profit





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Where the traditional transaction methods or the transactional profit methods are equally reliable, the traditional transaction methods are generally preferred.

PROFIT SPLIT METHOD

The PS method is based on the concept of splitting the combined profits of a transaction between related parties in a similar way as how independent parties would under comparable circumstances, and is the only method that tests both sides of a transaction (that is, a two-sided method).

One distinct advantage of the PS method is that it provides the means to allocate profit to the entities involved for all their respective routine and non-routine contributions in the absence of market or comparable data to apply other methods. It is especially useful when either one or both parties to a transaction have developed unique and valuable intangible property that contributes to the total profitability of a transaction, or when controlled transactions cannot be separately analysed due to a high level of integration.

There are two approaches in applying the PS method, either by contribution analysis or residual analysis. In a contribution analysis, the combined profits earned are divided based on the parties' relative contributions (or the relative value of functions performed) to earning that profit. This is determined by conducting a functional analysis.

Unlike the contribution analysis, the residual analysis divides the combined profits earned in two stages. Each party would first identify and allocate an arm's length return to their respective routine contributions (for example, manufacturing and distribution) by carrying out

a benchmarking exercise using comparable data. Any residual profit remaining would then be allocated between the parties based on their relative unique contributions (for example, the ownership of intangibles).

TRANSACTIONAL NET MARGIN METHOD

The TNMM compares the net profit earned by a taxpayer from a related party transaction with the net profit earned by independent parties in a comparable transaction. The TNMM requires the selection of a net profit ratio, also known as profit level indicator.

The key with the TNMM is to choose an appropriate profit level indicator, depending on the facts and circumstances of the transaction. Some examples of profit level indicators are operating margin, net cost plus, return on operating assets and berry ratio.

Similar to the RP and CP methods, the TNMM is typically applied to only one of the parties involved in the transaction. This similarity means that the TNMM requires a level of functional comparability in relation to the tested party and the comparable entities (although to a lesser extent).

As each TP method has its strengths and weaknesses, it is important for companies to justify their selection of the appropriate method given the specific facts and circumstances. Once an appropriate method is selected, it is recommended that the method remains unchanged (unless there are substantial business changes which may warrant a review) as frequent changes in the TP method may trigger tax audits.

Whichever TP method the company chooses, contemporaneous TP documentation must be maintained to demonstrate that the arm's length principle is complied with at all times. ISCA

mark-up earned by the same supplier in a comparable dealing with an independent party (internal CP). It can also be based on the mark-up applied in transactions between independent parties (external CP).

In applying the CP method, direct and indirect costs of producing a good or providing a service are used to compute the cost base. Operating expenses (such as marketing expenses) are not included in the cost base.

The CP method is common in low-risk routine-like activities such as manufacturing transactions. It is particularly applicable in cases of semi-finished goods sold between related parties and in the provision of services.

DON'S COLUMN

ACCOUNTING FOR FINANCIAL LIABILITIES UNDER IFRS 9 AND IAS 39

Effects, Similarities, Differences



BY
KOH WEI CHERN, LIM CHU YEONG
AND TONG YEN HEE

In late 2009, the International Accounting Standards Board (IASB) began an extensive outreach programme to gather feedback on the classification and measurement of financial liabilities from its Financial Instruments Working Group and other key stakeholders. Although there were some concerns, feedback received from respondents generally indicated that the requirements in International Accounting Standard (IAS) 39: Financial Instruments – Recognition and Classification¹ for classifying and measuring financial liabilities were working well. Therefore, the IASB decided at that time that the costs outweighed the benefits of revising the reporting standard, and retained almost all the reporting requirements in IAS 39 for financial liabilities in International Financial Reporting Standard (IFRS) 9: Financial Instruments².





IFRS 9 retains almost all the reporting requirements in IAS 39 for the classification and measurement of financial liabilities. A notable difference is the reporting requirements for financial liabilities designated as FVPL.

KEY CONCERN IN IAS 39

A concern highlighted during the feedback was the effects that fair value changes in financial liabilities can have on the profit and loss statement. Under IAS 39 para 55, a gain or loss arising from a change in fair value of a financial liability that is classified as at fair value through profit or loss (FVPL) and not part of a hedging relationship shall be recognised in profit or loss. Note that under IAS 39 para 9, a financial liability can be classified as FVPL if it is either (i) held for trading, or (ii) designated as FVPL. A financial liability may be designated as FVPL if it (i) eliminates or significantly reduces a measurement or recognition inconsistency that arises from measuring assets or liabilities or recognising the gains and losses on them on different bases (that is, an accounting mismatch), or (ii) is a group of financial assets/liabilities managed with performance evaluated on fair value basis in accordance with an internally-documented risk management/investment strategy (see IAS 39 para 4, and similarly in IFRS 9 para 4.2.2(a)).

Specifically, the feedback alluded to the issue that when the entity's own credit risk is worsening (that is, an increase in credit risk), any financial liability issued by the entity that is designated as an FVPL will exhibit a decrease in fair value. The decrease in fair value will result in a reported gain on the profit or loss statement. Conversely, when the entity's credit risk is improving (that is, a decrease

¹ IFRS 39 is the equivalent of IAS 39 in Singapore.

² IFRS 9 is the equivalent of IFRS 109 in Singapore.

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ACCOUNTING FOR FINANCIAL LIABILITIES

in credit risk), any financial liability issued by the entity that is designated as an FVPL will exhibit an increase in fair value, resulting in a reported loss on the profit or loss statement. For example, HSBC reported fair value gains of \$6.6 billion on its financial liabilities in the year 2008 when its credit risk deteriorated because of the global financial crisis, and a fair value loss in the first half of 2009 when its credit risk improved. These effects on the profit or loss statement were counterintuitive and the concern was that financial statement users and stakeholders may misinterpret a “gain” from worsening credit risk to be a positive signal, and a “loss” from improving credit risk to be a negative signal about the entity.

Academic evidence lending credence to this concern appears in an experiment that was reported in *Accounting, Organizations and Society* journal in 2011.³ Based on an experiment using CPAs as participants, Gaynor, McDaniel and Yohn (2011) found that over 70% of the participants incorrectly assessed a firm’s credit risk as improving when a gain was recognised arising from a decrease in fair value of financial liabilities designated as FVPL, and incorrectly assessed a firm’s credit risk as worsening when a corresponding loss was recognised.

KEY PROPOSED CHANGE IN IFRS 9

In view of this concern, the IASB published Exposure Draft ED/2010/4 Fair Value Option for Financial Liabilities on 11 May 2010. The draft proposed that the effects of changes in fair value arising from own credit risk of financial liabilities designated as FVPL are to be presented in other comprehensive income, and the remaining changes in fair value to be presented under

³ Gaynor, LM, McDaniel, L, and Yohn, TL, “Fair value accounting for liabilities: The role of disclosures in unraveling the counterintuitive income statement effect from credit risk changes”, *Accounting, Organizations, and Society*, 36, pp.125-134

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IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. However, because of the expected improvement in information quality, the IASB allows entities to early-adopt IFRS 9 para 5.7.7.

profit or loss. The IASB believes that this separate presentation will help users better assess the effects of changes in fair value of financial liabilities on the entity’s financial performance. Furthermore, these gains and losses from own credit risk changes accumulated in other comprehensive income are not to be recycled. This is because if the entity repaid the contractual amount, then the cumulative changes in the financial liability’s credit risk over its life will net to zero. As recycling is not allowed, the IASB also proposed concurrent changes to the disclosure requirements in IFRS 7: Financial Instruments – Disclosures to provide more information to the users of financial statements. Under IFRS 7 para 10, among other requirements, the entity must disclose any transfers of the cumulative gain or loss within equity during the reporting period and the reasons for such transfers, and if a financial liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition. After the comment period on the exposure draft, the IASB decided to incorporate these changes into IFRS 7 and IFRS 9.

Thus, under IFRS 9 para 5.7.7, an entity is required to present a gain/loss on a financial liability that is designated as FVPL as follows: (a) the amount of change in the fair value of the financial liability that is

attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and (b) the remaining amount of the change in the fair value of the liability shall be presented in profit or loss unless the treatment would create or enlarge an accounting mismatch in profit/loss. If so, then all gains or losses on that liability shall be presented in profit or loss. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. However, because of the expected improvement in information quality,





the IASB allows entities to early-adopt IFRS 9 para 5.7.7.

IMPACT OF KEY CHANGE IN IFRS 9 ON SINGAPORE

In Singapore, FRS 109 was issued on 11 December 2014. Given the expected improvement in information quality, we examined the three local banks, namely, DBS, UOB and OCBC, to evaluate the extent that separate presentation of fair value changes in financial liabilities designated as FVPL is early-adopted. Based on the annual reports for the financial year

ending 31 December 2016, we find no local bank early-adopted separate presentation. However, we also find that financial liabilities designated at FVPL as a percentage of total financial liabilities average 0.55% for the three banks. Thus, this amount may not be material enough for the banks to early-adopt separate presentation of the fair value changes.

We next examine the annual reports of foreign qualifying full banks in Singapore to determine if there are any early adopters of separate presentation. We highlight

HSBC as an example. In its 2016 annual report, HSBC disclosed that it has early-adopted this requirement in its separate financial statements. HSBC Holdings plc presented “changes in fair value of financial liabilities designated at fair value due to movement in own credit risk” as a separate line item in its statement of comprehensive income under “other comprehensive income”. This line item is also presented as “will not be reclassified subsequently to profit or loss” (that is, no recycling), and presented as a movement in retained earnings via other comprehensive income. We also note that prior to early adoption, this line item was presented as net profit in the profit or loss statement, and as a movement in retained earnings via net profit for the year.

SUMMARY

In summary, IFRS 9 retains almost all the reporting requirements in IAS 39 for the classification and measurement of financial liabilities. A notable difference is the reporting requirements for financial liabilities designated as FVPL. Under IAS 39, the entire gain or loss arising from changes in fair value is previously presented in profit or loss, but under IFRS 9, the changes in fair value that are attributable to changes in own credit risk shall be presented in other comprehensive income, and the remaining changes in fair value shall be presented in profit or loss. We find to date no Singapore bank early-adopted this separate presentation requirement, possibly because of the immaterial amount of financial liabilities designated at FVPL. However, we do find some foreign banks, including HSBC Holdings plc, have early-adopted this separate presentation requirement. ISCA

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The Handbook of Financial Communication and Investor Relations

Alexander V. Laskin (Ed)
ISBN: 978-1-119-24078-5
S\$292.06 including GST



The book identifies the central issues of contemporary investor relations and financial communications practice, including financial information versus non-financial information, intangibles, risk, value and growth. Different writers address key topics of concern to contemporary practitioners, such as socially responsible investing, corporate governance, shareholder activism, ethics and professionalism. In addition, the book arms readers with metrics and proven techniques for reliably measuring and evaluating the effectiveness of investor relations and financial communications.

The Growth Mindset

Rick Capozzi
ISBN: 978-1-119-42197-9
S\$44.89 including GST



Success hinges on leadership. Leading change takes courage, and leading change *successfully* requires careful planning and attention to the people, processes, and positions at stake. As the wealth management landscape changes, the growth mindset becomes ever more critical, but it's only a small piece of the equation. This book details an actionable framework for a new era of leadership in the industry, with an emphasis on value, solutions, relationships and trust.

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Colin Jones, Stewart Cowe, Edward Trevillion
ISBN: 978-1-119-21925-5
S\$164.73 including GST



Here is a fascinating analysis of the critical role commercial property investment played in the economic boom and bust during the global financial crisis of 2008. It is the first book to focus on a woefully underreported dimension of the crisis - the significant role that lending on commercial property development played. Featuring insider case accounts from property bankers, the book disentangles the complex, tightly-woven factors that led to the financial crisis, while offering powerful lessons for property industry professionals on how to avoid having history repeat itself.

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

QUIZ

1 In "2018: Looking into the Horizon", the future economy will give rise to expanded career options for accountants. Chartered accountants are starting from a position of strength as their rigorous professional training has provided them with a strong foundation to develop new skills to enter various specialisation fields.

A True

B False

2 In "Sense and Sensibilities of TP Methods", where the traditional transaction methods or the transactional profit methods are equally reliable, the transactional profit methods are generally preferred.

A True

B False

3 In "China's Belt and Road Initiative", with infrastructure, especially transportation and communications networks, being built up, the B&R Initiative will limit the range of opportunities to only the transportation and communications network sectors.

A True

B False

CONGRATULATIONS

DECEMBER QUIZ WINNERS:

Ching Puay Huan
Sxxxx218C

Liang Hui
Sxxxx241B

Kelly Tan
Sxxxx064J

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



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