

IS Chartered Accountant Journal

JANUARY 2020

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2020

What Lies On The Horizon



● focus

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Recognising Excellence

A leading professional accountancy body in ASEAN, we have gained recognition for our efforts in promoting the growth and development of the profession in the region. As globally recognised Chartered Accountants, our members are known for embodying excellence in accountancy and business.

Global Mindset, Asian Insights

Dear members,

I HOPE 2020 BEGAN WELL FOR YOU AND YOUR LOVED ONES. I like January as it signifies a fresh start. With the proverbial clean slate, I am at liberty to fill the slate with anything I want. Whether they are things to do, courses to take, hobbies to pursue or places to see, the possibilities are endless and I am filled with anticipation at what is to come. As ISCA President, I am also looking forward to the year ahead as the Institute has a number of exciting new initiatives lined up for members. While these are shared in my article, "2020: What Lies On The Horizon", I want to highlight some of them here.

With disruptive forces continuing to alter the way we work, and the nature and type of our work, it is pertinent to keep our knowledge and skill sets up-to-date. To support members in the area of compliance, ISCA is exploring the development of stackable certificates, from which you can obtain knowledge and skills in topics like data protection, ethics and governance, cybersecurity, and anti-money laundering requirements.

Small and medium-sized practices (SMPs) are not left out in our plans. To prepare SMPs for a digital future, the Institute is introducing a Robotic Process Automation (RPA) course for SMP employees. One of the course components requires the firm to have implemented at least one RPA function by the time the employee completes the course. This ensures applicability and hands-on experience so that both employee and firm can see tangible and almost immediate benefits.

To support members in their career aspirations, we will be hosting an Accountancy Virtual Career Fair in the second quarter of the year. This virtual job placement platform will centre on positions related to accountancy and finance. The online platform provides members convenience and ease of access, which in turn also makes the Fair more appealing to younger people who consider the Internet their first source of information.

Besides being true digital natives, Centennials, or those born around 1997 and later, have a set of distinguishing

characteristics that sets them apart from previous generations. They are entrepreneurial self-starters who attach a greater meaning to their work, and employers will need to think beyond the usual workplace practices and financial incentives to attract and engage them. "The Centennials: Workforce Of The Future" provides clues to the Centennials' aspirations and expectations.

Centennials and their immediate predecessors, Millennials, understandably display some overlapping characteristics, including strong entrepreneurial tendencies and an affinity with technology. In our Member Profile, we catch up with Kevin Tan, Business Manager, Online Ordering at Fave, a mobile payments and loyalty platform. He shares the impetus for his business startup, CutQ, which helps users skip queues and have their orders ready for pickup via a mobile app. The app was acquired by Fave three years later in early 2019, when he also joined the organisation. Kevin's story is a motivating one that shows how accountancy has paved the way for his successful business venture. He has big dreams and his slate is full for the year ahead.

I hope your slate shows a mix of professional and personal pursuits as everyone needs a life outside work. If you are into sports, you can train for the annual ISCA Games or Inter-Professional Games. The ISCA Cares Charity Golf event in March is a good opportunity to donate to a good cause while enjoying your game. The article, "ISCA Cares Disburses Highest Amount In Bursaries To Accountancy Students In 2019", is a snapshot of how your donations are making a significant difference to the lives of the beneficiaries. Find out how you can do your part for the underprivileged at the ISCA Cares portal.

Think about what you want on your slate for the coming months, and have a good read.

Kon Yin Tong

FCA (Singapore)
president@isca.org.sg



**A New Year, A Clean Slate;
All Ready For
New Possibilities**

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Recruitment Trends For Singapore In 2020

MARKED BY ONGOING DIGITAL TRANSFORMATION AND AUTOMATION,

Singapore continues to face growing demand for digital professionals in 2020. Candidates in software engineering, user experience, cloud engineering and data analytics will be particularly sought after, and there will be a rise in hybrid roles such as business intelligence/analyst positions that merge insights, analytics and marketing functions, or data science evangelist positions that require a blend of data science knowhow and a strong consulting experience to obtain the buy-in from stakeholders.

Automation will impact functions across industries, resulting in both the restructuring and transferring of roles, as well as the creation of new job titles, says recruitment agency Hays. While the more “transactional” tasks are sent offshore or become automated, new opportunities will arise in a bid to add more value to businesses. Other trends include hiring in the e-payments sector, which is seeing increased demand for strategic candidates with an innovative perspective on customer retention. There will also be a drive towards advanced manufacturing as medical devices companies continue moving into Singapore under the government’s Research, Innovation and Enterprise 2020 plan.

According to Grant Torrens, Regional Director of Hays, Singapore, the city-state’s push towards a “more digital and automated workforce” is well in tune with similar global developments. “Open-minded organisations which can offer opportunities to develop and train their employees will find themselves with a surplus of qualified talent and a way of beating the competition for top talent,” he says. For candidates, “those ready to embrace the impending digitisation of all industries and equip themselves with the change management skills needed to weather transformation will be best placed for the year ahead”.

Recruitment agency Robert Walters echoes Hays’ hiring trends in the new year. Digital professionals who are “well-rounded” and possess “business acumen”



will be the preferred candidates. For Singapore, the most in-demand talents will possess remarkable technical skill sets, business knowhow, and a modern, commercial mindset. According to the agency’s latest Salary Survey, the digital-focused job trend here will continue into 2020, with tech professionals like data scientists, app developers and cybersecurity specialists at the most-wanted end of the talent pool.

While digital and technical knowhow is prized across all industries and continues to be at the forefront of what employers are looking for in people, it has contributed to high turnover rates

in high-demand industries such as banking and financial services, technology and advertising. On average, such in-demand employees often leave their jobs in under two years as they go in search of better opportunities that promise growth and more technical knowledge and skills.

Job-seekers will have more options available to them in terms of work flexibility. According to Robert Walters, 2020 will see more contracted jobs or flexible roles on offer as a result of changing perceptions on work-life balance, and the job-seekers’ willingness to undergo shorter but meaningful work experiences.

While job-seekers used to value stability,

longevity and career growth above all, today, they are eager for a more dynamic career, learning opportunities, variety, constant challenges and inspirational leadership. Employers should consider innovating and changing their hiring processes to meet these aspirations. “By hiring highly versatile and flexible employees with high potential, investing in customised training to upskill employees, and offering them opportunities to interact with various levels of management, companies gain an edge in winning over top talent,” says Rob Bryson, Managing Director of Robert Walters, Singapore.

PHOTO SHUTTERSTOCK



TALENT TRENDS FOR 2020 IN SINGAPORE

Here are some human resource trends, according to Hays and Robert Walters.

Flexible recruitment solutions Given the global economic uncertainty, organisations will continue to tighten their belts regarding budgets and new permanent hires. Automation and digital transformation will push up the availability of project-based work, driving businesses to consider flexible recruitment solutions (contract or temporary employees) as a lower-risk solution to meet project and hiring demands. More candidates are also becoming interested in such roles as pathways to gain experience in multiple industries and exciting technology-driven projects.

E-payments take off The entry of new fintech players, particularly in the payments and cards space, has disrupted the consumer banking ecosystem. There will be a high demand for strategic or forward-thinking candidates with expertise in product development and innovation. This trend will be bolstered by Singapore’s push to remain a leading fintech innovator with progressive regulations and state-of-the-art infrastructure. The city-state’s digital banking licences, which include non-banking players, have created more opportunities for candidates to move out of traditional banking roles into positions that require them to be innovative and adopt a solutions-driven mindset.

Enhancing customer experience As Singapore moves towards Services 4.0 and users become more tech-savvy, there will be an increased focus on enhancing the user experience through improvements and optimisation of interfaces. This creates a higher demand for candidates with newer JavaScript frameworks like Angular, React and Ember. Companies looking to set up innovation-focused teams and hubs will also want candidates specialising in user experience.

Software engineers in high demand Artificial intelligence and machine learning technologies will continue to be leveraged by companies implementing automation into their functions. As a result, the demand for tech professionals like app developers, data scientists and cybersecurity specialists will continue unabated. Cloud infrastructure will also become more prevalent, leading to a talent war for experienced software engineers.

“Hub” model of supply chain operations Supply chain operations are trending towards creating centralised teams. This could benefit Singapore accountants as multinational companies establish their global or regional headquarters (HQs) here. However, employers are unlikely to offer high increments for lateral moves, so candidates thinking about a career shift should focus on gaining cross-functional or cross-category experience instead of chasing significant salary increments alone.

Transformation and automation Organisations will continue to go through transformation and automation in 2020, resulting in both the restructuring and transferring of roles, as well as creation of new job titles. They will want to hire people with cross-functional skill sets or who demonstrate a willingness to adapt and reskill. Project management skills will continue to be in demand for their relevance in coordinating, leading and ensuring smooth transformation and knowledge transfer. Key positions will remain in Singapore and act as a bridge between the regional HQ and support teams based in lower-cost locations.

Connecting through digital communications Companies will continue their focus on acquiring digital marketing talent to keep pace with the industry-wide digital transformation. Currently, candidates from conventional marketing roles are expected to have a strong understanding of running end-to-end digital marketing campaigns as marketing and digital skills converge with overall communication strategy skills. This will affect candidate pools due to the mismatch with the skill sets of traditional public relations professionals.

Data and analytics go hybrid As more organisations see the value in big data, the need for real-time analytics and subsequent demand for data engineers will continue to rise. There will be demand for new hybrid roles that combine data knowledge with traditional functions, for example, business intelligence/analyst positions that merge insights, analytics and marketing functions, or data science evangelist positions that require a blend of data science knowhow and strong consulting experience to obtain the buy-in from different stakeholders. Well-rounded professionals with business acumen are the preferred candidates for hirers.

5G And IOT Lead Telco Transformation Drive; AI And Automation Use Cases Yet To Mature

TELCO LEADERS ARE OPTIMISTIC ABOUT THE PROMISE OF DIGITAL TRANSFORMATION, but there is a lack of synergy in the application of emerging technologies at the network layer. This is according to a global EY report, “Accelerating The Intelligent Enterprise”, which includes analysis of 27 leading telcos about their digital transformation journey.

5G and the Internet of Things (IoT) are considered the most important emerging technologies in driving digital transformation over the coming five years, says 69% of respondents, followed by automation (62%) and artificial intelligence (AI; 58%). However, the telcos’ current use of digital technologies is heavily weighted toward customer-related rather than network-related gains.

Nearly half (48%) say improving customer support is the main catalyst for adopting automation, while 96% say customer experience is the main driver for analytics and AI use cases over the next five years. Only 44% see network-related use cases as critical during the same timeframe.

“While the network accounts for the lion’s share of industry investment and operational expenditure, telcos continue to focus the power of emerging technology around the customer,” says Tom Loozen, EY Global Telecommunications Sector Leader. “It is now critical that they take a holistic approach to the adoption of AI and automation by shifting their investment priorities and applying greater focus to use cases in less advanced areas like networks.”

The report finds that the current approach to emerging technology adoption is out of sync with the telcos’ long-term ambitions. Some 76% say IT and the network are most likely to benefit from improved analytics or AI capabilities over the next five years, despite their reluctance to move beyond customer applications.

quick facts



This disconnect is echoed by the views of nearly half (46%) of respondents, who believe that a lack of long-term planning is the biggest obstacle to maximising the use of automation.

Inadequate talent and skills are also cited as a key barrier to deploying analytics and AI, according to 67% of global industry leaders surveyed, while a third (33%) of them cite poor quality data.

“Migration to 5G networks and the rise of the Internet of Things mean the pace of evolution across the telecoms industry is rapidly accelerating. Operators have no choice but to transform if they are to remain relevant to consumers and enterprise customers, and achieve growth,” says Mr Loozen. “To succeed in this environment, they need to take a long-term view of

emerging technology deployment and create a more cohesive workforce that thinks and collaborates across organisational barriers.”

The imperative for telcos to be bolder in their approach to digital transformation and innovation is highlighted throughout the report. Nearly all respondents (92%) admit they need to be more agile to realise transformation gains, while 81% agree that they should adopt a more experimental mindset to maximise the value of analytics and automation. As the choice of emerging technologies and processes continues to widen, most respondents (88%) also believe that their organisation requires a better grasp of inter-related digital transformation concepts.



Enjoy privileges from our Merchant Partners

Membership benefits now extend beyond signing up for CPE courses at members’ rates and accessing the Technical Knowledge Centre!

ISCA Members’ Privileges Programme (MPP) allows our members to enjoy special deals and discounts from various merchant partners, enhancing our value to you as an esteemed member of the Institute.

Flash your membership e-card to enjoy the benefits!

Check out the privileges at <https://isca.org.sg/members-privileges/>

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ISCA And VACPA Sign MOU To Launch AMSE In Vietnamese

ON 25 OCTOBER 2019, ISCA and the Vietnam Association of Certified Public Accountants (VACPA) signed a Memorandum of Understanding (MOU) on a collaboration to launch the ISCA “Audit Manual for Standalone Entities” (AMSE) in Vietnamese. Under the terms of the MOU, VACPA may translate, publish and distribute AMSE in Vietnam.

When ISCA shared AMSE with our ASEAN friends in 2017, VACPA had expressed keen interest in AMSE as it was looking to improve audit quality in Vietnam. The MOU was two years in the making, and the hard work put in by both organisations has made the adaptation of AMSE for Vietnam possible.



▲ ISCA member Magdalene Ang received a token of appreciation from Dr Tran Khanh Lam, VACPA Secretary General, for sharing an overview of AMSE

➡ Mr Kon addressing the audience at the signing ceremony

AMSE is aimed at facilitating the auditor’s thinking process, which is critical in performing an audit. The audit methodology used in AMSE is aligned with the Singapore Standards on Auditing. It is a risk-based approach which focuses on the key risk areas in an audit engagement, and encourages engagement teams to design customised audit procedures based on identified audit risks and adopt a more targeted approach.

Speaking at the signing ceremony, VACPA President Pham Sy Danh said, “This MOU makes an important contribution in supporting and improving the quality and reputation of VACPA members, and is a critical step in VACPA’s strategic development plan. International collaboration is the shortest, quickest and

ⓐ (Seated, from left) ISCA President Kon Yin Tong and VACPA President Pham Sy Danh signed the MOU

most sustainable approach to integrate the accountancy profession. ISCA was one of the professional bodies we aligned with to start our international cooperation and together, we have significantly contributed to shaping the profession in Vietnam as well as to the development of VACPA.”

ISCA President Kon Yin Tong said, “We are pleased to partner VACPA in rolling out the ISCA “Audit Manual for Standalone Entities” in Vietnam. In particular, we hope that auditors in small and medium-sized practices can use AMSE as a guide to facilitate their audits, thereby helping to uplift audit quality in Vietnam.”

The MOU is a reflection of the true ASEAN spirit and ISCA is privileged to have been given the opportunity to partner VACPA in improving the professional standards of the auditing profession in Vietnam.

The signing ceremony was followed by a workshop where ISCA member Magdalene Ang, Audit Partner, R Chan & Associates PAC, presented an overview of ISCA’s audit manual including how to use it, as well as the application of key methodologies. In attendance were 59 Vietnamese audit practitioners, university professors and government officials.

▲ VACPA members were presented a copy of the translated publication

MARK YOUR CALENDAR

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JAN

ISCA Breakfast Talk – An Illustrative Explanation of Changes in Ownership Interests

FRS 110 Consolidated Financial Statements and FRS 103 Business Combinations require special accounting treatment for changes in ownership interests with or without change in control. Having clarity in the underlying principles and a systematic approach to the practical application of these principles are necessary in dealing with these complex scenarios. This presentation will explain the underlying principles and present a snapshot of the application of the principles to four scenarios.

The illustrations are adapted from the newly released 4th edition of Advanced Financial Accounting: An IFRS® Standards Approach, published by McGraw-Hill Asia. Attendees at this session of the ISCA Breakfast Talk series will be entitled to buy the book at an attractive and preferential price.

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JAN

Ethical Issues & Updates in Cross-border Tax and International Transfer Pricing

This programme traces the latest developments of ethical issues in cross-border tax and international transfer pricing. It is meant to complement the ISCA Code of Conduct and Ethics by looking at ethical issues beyond the shores of Singapore and help professionals think about ethical decisions/choices as they plan and manage their companies’ or client’s cross-border tax and transfer pricing affairs.

12
MAR

ISCA Budget Update 2020

Early Bird savings till 31 January 2020!

Enroll a group of 5 or more participants under Corporate Registration for a nett price of \$128.40 each till 31 January 2020!

In It to Ace It. Get in tune with SG Budget 2020 in 4 hours!

Join us at the ISCA Budget Update 2020 Seminar where SMU’s Professor of Accounting (Practice) Sum Yee Loong will analyse the tax implications of the various Budget 2020 proposals and how these will affect businesses and individuals. Mr Irvin Seah, Executive Director, Group Research, DBS Bank, will deliver a presentation on the Economic Outlook and Analysis of Budget 2020, followed by a panel discussion with industry leaders on Budget proposals.

16
JAN

IES-INCA & ISCA Investor Network Info Session

An event brought to you by ISCA and IES-INCA.

IES-Incubator and Accelerator (IES-INCA) is a strategic initiative by the Institution of Engineers, Singapore (IES) to support engineers in technopreneurship. Focusing on harnessing and incentivising engineering talent towards creating strategic technology products to service the needs of Singapore, IES-INCA incubates new technology companies that are in the process of scaling up.

Exclusive to ISCA and IES members only, you can participate as a Mentor or Investor to new tech ventures, helping them gain valuable insights into business models, valuation and financial matters through 1-to-1 mentoring sessions.

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JAN

IFRS 9 / FRS 109: Financial Instruments - A Practical Guide

UTAP approved

FRS 9/FRS 109 is the new Standard to replace IAS39/FRS39 (old standards) for annual periods beginning on or after 1 January 2018. The new Standard uses a highly structured format consisting of seven chapters dealing with specific issues in the accounting for financial instruments.

This programme provides a practical guide on applying the principles of the new Standard and examines the technical changes from the existing practice under the old Standards to the new Standard.

Dates and events are subjected to change without prior notice.

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

Engaging The Tax Profession From Within

THE WHIRLWIND OF TAX DEVELOPMENTS THROUGHOUT 2019 saw tax professionals stepping up efforts to beef up their tax technical knowledge and related expertise. Supporting the profession, the Singapore Institute of Accredited Tax Professionals (SIATP) organised a record number of technical sessions to bring the profession up-to-date.

Engaging the tax professionals from within the tax industry, the regular *Tax Excellence Decoded* sessions organised by SIATP saw various accredited members sharing their tax specialisation expertise. With the wealth of experience that the facilitators presented, participants were offered thought-provoking insights. Almost all feedback received throughout the year indicated that participants would recommend others to an SIATP event in future.

As Singapore is a major regional hub, it is also important for the tax professionals to keep up with tax issues in other geographies. Tapping on the wealth of knowledge of visiting tax experts, SIATP events brought clarity to many international tax issues and offered unique insights into the hottest tax issues developing across the region. What's



▲ SIATP members shared their personal journeys and passion in tax with undergraduates at various universities



▶ Gearing the tax profession up for the implementation of reverse charge and overseas vendor registration was Accredited Tax Advisor (GST) Richard Mackender, Indirect Tax & Business Process Solutions Leader, Deloitte South East Asia and Singapore



more, tax specialists now have much more resources to tap into at SIATP's revamped website.

Taking a step beyond tax while maintaining a steadfast focus on its members, SIATP also partnered with the Marketing Institute of Singapore to offer tax professionals privileged access to a plethora of marketing, practice management and law-related courses. These courses enable them to leapfrog further in their tax careers or as practice owners of their own tax consultancies.

Promoting tax excellence isn't only about focusing on the current tax specialists. SIATP continued

its outreach to tax leaders of tomorrow at various tertiary institutions with the sharing of interesting anecdotes and career tips by accredited tax professionals.

Overall, SIATP, through its curated efforts of brand building, engagements with various stakeholders, alliance building with like-minded partners, focus on tax excellence and harnessing of the power of information technology, continued to deploy resources to implement its "BEAT IT" strategy as it journeys into its 10th year in 2020.

Email enquiry@siatp.org.sg today and find out how you, too, can heighten your tax career and knowledge.



▲ Interest in the tax issues continued even during tea breaks as participants swapped perspectives and exchanged updates



A NEW WAY TO SHOWCASE YOUR PROFESSIONAL ACHIEVEMENTS

ISCA Digital Badges

Elevate your professional profile. Translate your skills and professional accomplishments into digital badges and share them online and on social media platforms.

CAW Network Member Logo

If you are a Chartered Accountant of Singapore, display the Chartered Accountant Worldwide Network Member logo and be part of a global network with over 750,000 members and over 1 million students.

Find out more at isca.org.sg/digitalbadges.

Find out more

Global Mindset, Asian Insights

● isca members recognition ceremony

Honouring Members' Achievements

“TO OUR NEW MEMBERS, TONIGHT’S CEREMONY MARKS THE BEGINNING OF your journey as an ISCA member. A vast array of resources and opportunities are now open to you to prepare you for the future business landscape,” said ISCA President Kon Yin Tong, at the Members Recognition Ceremony on 17 October 2019.

Mr Kon went on to share what ISCA has done to add value to our members and the profession, including being a full member of the prestigious Chartered Accountants Worldwide, Reciprocal Membership Agreements with internationally recognised accountancy bodies, learning roadmaps developed for professional accountants in business as well as audit professionals, and the newly launched ISCA Digital Badges to help members gain recognition for their membership and professional development.



▲ ISCA President Kon Yin Tong delivering the welcome address



▲ ISCA CEO Lee Fook Chiew (1st left) presented the ISCA FFP credential certificates to (from left) Ong Lien Wan, Sim Geok Kwong, Kosarev Dmitry and Soo Hon Weng



▲ A night to celebrate members' achievements



▲ Guest speaker Mrs Fang Ai Lian and ISCA Advisor Dr Gerard Ee received their Life Membership certificates from Mr Kon

Mr Kon also highlighted that Chartered Accountants should explore other possibilities afforded by an accountancy career besides audit. He cited as an example the specialisation pathways, such as ISCA Financial Forensic Accounting Qualification, that enable them to transit into high-growth areas.

The evening event saw more than 250 new Chartered Accountants of Singapore, or CAs (Singapore) for short, step into the expanding ISCA family; honoured senior Fellow CA (Singapore) or FCA (Singapore) members, and conferred the ISCA Financial Forensic Professional (ISCA FFP) credential to four of the members who were present. The ISCA FFP credential is a mark of excellence for financial forensic professionals, obtained through the ISCA Financial Forensic Accounting Qualification. The event also recognised the contributions of former ISCA Council members and Committee members.

At the ceremony, there was a special segment where long-serving members of over 50 years were presented the “50 Years Milestone Award”; members with over 30 years of membership and who are at least 70 years of age were awarded the



▲ Mr Kon with FCA (Singapore) members (from left) Wong Yau Chow, Lee Theng Ngee and Lee Hien-Weng, Kevin



▲ Mr Kon presented a specially-designed plaque to members who have attained 50 years of membership; they are (clockwise from top left) Chan Chiang Loke, James; Fong Yeng Kuen; Goh Boon Kok; Kon Yuen Kong; Lee Heng Hong; Loo Say Lin, and Wong Leong Kee

“Life Membership” status. Mr Kon presented the awards to seven “50 Years Milestone Award” recipients and 24 Life Members, and thanked them for their dedication to the Institute.

At every Members Recognition Ceremony, the Institute invites a member who is an experienced industry leader to share valuable insights and experiences. Inspiring

a new generation of ISCA members that evening was FCA (Singapore) member Mrs Fang Ai Lian, Advisor to Far East Organisation. She is a distinguished leader in the profession with many notable highlights. Mrs Fang was the first woman to head an Ernst & Young (EY) office worldwide, and the first woman to head an international accountancy firm in Singapore. She retired in 2008 after 34 years with EY and now sits on the Boards of many large organisations. In her sharing, Mrs Fang encouraged young accountants to grab every opportunity and also be willing to expose themselves to various aspects of work, and across industries.

The evening ended with ISCA CEO Lee Fook Chiew presenting certificates to the new members to affirm their CA (Singapore) designation – a mark of professional excellence and distinction that signifies a fully-qualified accountancy professional.

We would like to thank everyone who took the time to join us at the Members Recognition Ceremony. View more photos of the Ceremony at the ISCA Facebook page.



▲ FCA (Singapore) member Lee Theng Ngee, Head of Finance and Administration, OUB Centre Limited, led in the undertaking of the ISCA Oath

ISCA Cares Disburses Highest Amount In Bursaries To Accountancy Students In 2019



on 16 October 2019 at the KPMG Clubhouse. The ISCA Cares Education Programme awards bursaries to needy youths, now known as “ISCA Cares Ambassadors”, whose family’s per capita income falls below \$690. ISCA Cares disbursed over S\$110,000 in 2019 – the highest since it started in 2015.

The ISCA Cares Education Programme aims to provide needy youths with access to quality accountancy education at the local polytechnics and universities. The ISCA Cares bursary goes towards subsidising the students’ tuition fees and basic living expenses. ISCA Cares Ambassadors are also provided with opportunities to be mentored by experienced accounting professionals for a year. They can also apply for internship programmes at the offices of corporate donors, where they can gain invaluable accountancy work experience.



SINCE HER SECONDARY SCHOOL DAYS, Goh Liu Ying, 20, has been working two part-time jobs to help lighten her family’s financial burden. With persistence and determination, Liu Ying graduated from ITE with good academic grades. Besides being academically excellent, she also showed good leadership qualities. She was a member of her school’s Student Council and was active in voluntary work. Now a second-year accountancy student at Singapore Polytechnic, Liu Ying finds herself supporting her father who has been retrenched, and two siblings who are still in school.

Growing up in a household where finances were tight, Zaid Bin Rahim, 25, appreciates the benefits of financial planning even more. Living with his parents and brother, fast food was considered a luxury in the family when he was growing up, as the majority of his father’s earnings went towards repaying debts. To ease his

▲ Our ISCA Cares Ambassadors with members of the ISCA Cares Board and ISCA Council, at the ISCA Cares Bursary Awards Ceremony 2019

family’s financial load, Zaid juggles his accountancy education at the Singapore Management University with part-time jobs during the holidays. Upon graduation, Zaid hopes to help those in similar financial circumstances by teaching them financial planning skills. “Being financially challenged clouds a person’s judgement,” he explained. “I intend to educate and motivate these (financially-challenged) people to move away from the present-centric mentality and start investing in the future bit by bit. I believe this provides them with a fighting chance to break out of the poverty cycle.”

Liu Ying and Zaid are among the 36 students from underprivileged families who received their bursaries at the ISCA Cares Bursary Awards Ceremony; the event was held



▲ ISCA Cares Ambassador Goh Liu Ying aspires to be a Chartered Accountant



▲ ISCA Cares Ambassador Zaid Bin Rahim hopes to pursue a career in audit

ISCA Cares was made possible with the firm support of the accountancy profession. BDO LLP, Deloitte and Touche LLP and RSM Chio Lim LLP were the largest corporate donors in 2019. KPMG Singapore extended its premises for the award ceremony.

ISCA Cares Chairman Mrs Lim Hwee Hua said, “At ISCA Cares, we believe no one should be deprived of a chance at education because of difficult financial circumstances. Through the ISCA Cares Education Programme, we provide needy students with the crucial support that enables them to continue their studies and work towards their dream of pursuing an accountancy career. Our beneficiaries continue to inspire us with their resilience, having remained steadfast in the face of adverse family circumstances. We thank our donors, whose generosity made it possible for ISCA Cares

▲ Lem Chin Kok, Head of Risk Consulting, KPMG Singapore, sharing his experiences as a financial forensic accountant

to provide much-needed financial assistance to our beneficiaries.” “It is heartening to see many firms and individuals step up and provide their generous support to students who are in need,” said ISCA CEO Lee Fook Chiew. “We encourage more members of the profession to lend their support to ISCA Cares and give back to the community, whether by providing financial assistance, becoming mentors to the beneficiaries, or offering them internship opportunities.”

With just 10 cents a day, you can help these aspiring youths fulfil their dreams of becoming a Chartered Accountant like yourself. Support ISCA Cares by donating through the ISCA eServices portal during your membership renewal. For more information, please visit iscacares.org.sg.

ISCA Games 2019 Prize Presentation And Closing Ceremony

MORE THAN 150 REPRESENTATIVES from the participating accounting firms gathered for the ISCA Games 2019 Closing Ceremony. Held on 28 November 2019, the event took place at The Folks Collective (China Square). The Institute initiated ISCA Games more than 30 years ago to foster camaraderie and cohesiveness within the accountancy fraternity. The annual sporting series has continued to be a popular and highly anticipated event for members of the profession.

🎉 Celebrating victories, bonding over tasty finger food and drinks



🏆 Ultimate Frisbee Champion – Team Deloitte & Touche



🎯 Darts Champion – Team PwC



🏆 Trophies and medals for podium finishers of the 27 games
🏆 KPMG captured its seventh consecutive Overall Championship title; ISCA President Kon Yin Tong presented the Overall Championship trophy to KPMG Managing Partner Ong Pang Thye (centre), and KPMG Singapore Partner Amit Sadana



🏆 Dragonboat 1st Runner-up – Team EY
🏆 Volleyball Champion (mixed) – Team KPMG

This year, ISCA Games drew participants from 15 public accountancy firms and 15 commercial companies. In total, about 280 teams competed in over 27 different sporting categories. The Closing Ceremony marked the end of months of friendly competition among the various teams. For the seventh consecutive year, the Overall Champion title was retained by KPMG, which garnered a total of 62 points. Deloitte & Touche was a very close second, followed by PwC and EY.

Speaking at the ceremony, ISCA CEO Lee Fook Chiew congratulated the overall winner and expressed his gratitude to all participating firms for their enthusiastic support of the Institute's annual Games. ISCA President Kon Yin Tong presented the Overall Championship trophy to Ong Pang Thye, Managing Partner, KPMG, and Amit Sadana, Partner, KPMG Singapore. Mr Kon also gave out the medals and trophies to the champions and first runner-up winners of the individual games. Another highlight of the evening was the lucky draw segment, where three members walked away with a \$50 CapitaLand voucher each. Once again, the Games fulfilled its principal objective to provide a platform for members to interact and challenge each other through friendly sporting competitions. We would like to express our heartfelt thanks to all participants and supporters for their continuous support of the Games. In this new year, we look forward to even more intense and friendly participation, so get your teams ready and keep up the training. For more information about ISCA Games 2020, please drop us an email at iscagames@isca.org.sg.

● isca breakfast talk

Sustainability Reporting: Challenges And Best Practices

WITH SUSTAINABILITY NOW FIRMLY ON THE GLOBAL CORPORATE AGENDA, more companies are placing emphasis on achieving sustainable development goals and including sustainability disclosures in their reports to stakeholders, highlighting their efforts towards responsible business practices.

At the ISCA Breakfast Talk on 11 December 2019, Mohit Grover, Executive Director for Risk Advisory, Deloitte Singapore, shared more about the key concepts of sustainability reporting, challenges, best practices and how Chief Financial Officers (CFOs) can drive the sustainability finance agenda. Below are some key takeaways.

IDENTIFY CORPORATE ALIGNMENT WITH GLOBAL TARGETS

Every company should ensure that they have set clear sustainability goals appropriate to their industry and core company values. This includes making an effort to understand current global sustainability trends and which of these would be most relevant to the company, followed by identifying and disclosing relevant targets that are chosen as the company's focus.

The most commonly used and adhered-to global initiative is the United Nations Sustainable Development Goals (SDGs), with each SDG having clearly stipulated targets to be achieved by 2030. The SDGs are commonly referenced by companies in their reports and strategies as they set a common benchmark across all stakeholders globally. Companies are able to choose SDGs based on what is in line with their company values and work on their contributions to help Singapore achieve these targets, while satisfying stakeholder interest.

USING FRAMEWORKS TO GUIDE REPORT STRUCTURE AND ESTABLISH MATERIAL ISSUES

There are three types of reporting frameworks – guidance framework (most comprehensive), third-party aggregator framework, and voluntary disclosure framework. Companies



● Mohit Grover, Executive Director for Risk Advisory, Deloitte Singapore, shared insights into sustainability reporting

● Around 80 members attended the December ISCA Breakfast Talk session at ISCA House

can choose their framework based on how comprehensive they require their sustainability disclosures to be. These frameworks act as a foundation to build on for future reports, whether it is for a standalone report, or to supplement a company's annual report on other sustainability-related disclosures. In Singapore, the Global Reporting Initiative (GRI) is a widely-adopted framework as it has undergone refreshments to remain up-to-date with the global sustainability trends and provides one of the most comprehensive structures for developing a well-organised report.

The key step in developing any sustainability report is the identification of key material issues. In identifying and prioritising material issues, companies have to consider two important factors – their importance and value to stakeholders, and impact (on the environment, society and economy). With the key material topics identified, this can guide and form the basis of strategy development through a clear action plan that is developed to manage the issues.

ROLE OF CFOS IN DRIVING SUSTAINABLE FINANCE

With evolving expectations of various stakeholders regarding business practices, CFOs are in a unique position to drive the sustainability agenda. They are required to be aware of new regulations or practices being introduced as sustainability is no longer a standalone issue, but increasingly



being highlighted as a factor of consideration in financial-related decisions.

CFOs have the ability to use their influence to drive collaboration with sustainability leads to integrate and de-risk the company from sustainability issues through developing strong governance, push the sustainable agenda within the company and form the inextricable link between environmental, social and governance (ESG) risks and financial risks. Moving forward, business strategies for different pillars of a company can no longer work in silos. Through the clear and purposeful direction of CFOs, a company can move beyond the short-term profits and reactive strategies to achieve long-term and planned investments.

Currently, most companies are considered “followers” in terms of reporting maturity. With the priority of CFOs shifting to integrate sustainability-related foci, companies can move towards being leaders and innovators in reporting as they shift from compliance-based reporting to incorporating proactive sustainability strategies in their operations.

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ISCA Youth Associates Visit Home-Grown Brands Zouk Group And BreadTalk Group

LAUNCHED IN MARCH 2019, THE ISCA STUDENT MEMBERSHIP is open to all local accountancy undergraduates. Through the programme, ISCA Youth Associates enjoy various student membership benefits including an array of talks, workshops as well as exclusive company visits that help prepare them for the dynamic work environment even before graduation. With company visits, ISCA Youth Associates gain deeper insights into the companies, understand the nature of the business and industry and, most importantly, recognise the pivotal role of a Finance Team and accountancy professionals in these companies.

In September and October last year, some ISCA Youth Associates had the opportunity to visit two home-grown brands – Zouk Group and BreadTalk Group. During the tours, they were not only exposed to the operations and service aspects of the Entertainment and Food and Beverage (F&B) industries, they also had the chance to interact with key representatives from both groups.

ZOUK: A MULTI-CONCEPT LIFESTYLE BRAND

On 27 September 2019, ISCA Youth Associates went on a behind-the-scenes tour of Zouk Group’s suite of renowned clubs – Capital, Phuture, Queens, Redtails, and Zouk – to learn about each club’s unique lifestyle concept. With 28 years of experience in the



Entertainment industry, the Group has evolved into a multi-concept lifestyle brand. The latest addition to its fold is Five Guys, a popular American burger brand that it brought into Singapore. One of the highlights of the tour included the opportunity to work the DJ mixers and turntables, guided by Zouk’s resident DJ LeNERD. The veteran DJ not only demonstrated how to “drop the beat” – a classic move

➡ (Left) Zouk’s resident DJ LeNERD explaining the DJ console to the ISCA Youth Associates; (right) A hands-on attempt at crafting a cocktail



➡ Zouk Group’s Finance Director and ISCA member Mr Phua sharing the Group’s Finance Team functions and his personal career journey

➡ ISCA Youth Associates with key representatives from Zouk Group, including Finance Director Alex Phua (row 2, 1st from left); General Manager Wayne Lee (row 2, 3rd from right) and HR Director Kevin Wee (row 2, 1st from right)

where DJs make a sudden change to the song’s rhythm after building up anticipation – he shared the importance of a well-trained DJ who can deliver the best club experience to customers. Like many night spots, Zouk also serves crowd-favourite cocktails. A few student-members were invited to go behind the bar to craft two iconic Zouk cocktails – Long Island Iced Tea and Velvet Ropes. It was an immersive experience for the Youth Associates, who gained insights into the operations of the popular club. After a tour of the premises, Zouk Group’s Finance Director and ISCA member, Alex Phua, shared about the key finance functions in the organisation and his career journey thus far. Like most accountancy students, he started his career as an Audit Associate, in KPMG Singapore. With a keen interest to explore beyond professional services, Mr Phua joined Zouk Group as Finance Director in 2018.



➡ ISCA Youth Associates with the Operations and Service team from Din Tai Fung

“An accountancy degree opens doors to multiple career pathways, and accountancy professionals play instrumental roles in commercial companies,” emphasised Mr Phua. He further shared that finance professionals also take on the role of an advisor to the CEO and the Board in leading businesses in the right strategic direction. Mr Phua believes that such company visits, provided through the ISCA Youth Associate Student Membership, are highly beneficial to accountancy students; they can gain a clearer perspective of their career goals after understanding a company’s various aspects by interacting with its key representatives. On career advice, Mr Phua encouraged the students to continue to have a curious mind, and expose themselves to every facet of a company’s functions and operations. “It will go a long way once you are able to connect the dots and leverage your accounting expertise to add value to the business,” he explained.

BREADTALK: BAKERIES, CAFES AND RESTAURANTS

On 23 October 2019, some ISCA Youth Associates were hosted by the BreadTalk Group, where they picked up valuable insights into the F&B industry. Since the first BreadTalk outlet opened in 2000, floss buns have become synonymous with the BreadTalk brand. The Group has since expanded its portfolio to include restaurants, cafes, and food atriums, and has also ventured overseas in partnership with critically acclaimed F&B brands.



➡ BreadTalk’s Group CFO and Group CIO Chan Ying Jian chatting with ISCA Youth Associates

➡ (From left) Looking through the glass at a BreadTalk bakery, and at Din Tai Fung



The Youth Associates were first given a tour of the brands’ outlets housed at BreadTalk International Headquarters, where they were introduced to the concepts and ideation behind the various brands. At each outlet, representatives from the Group explained why the key success of BreadTalk – the open kitchen concept – works. With an open kitchen concept in their bakeries, customers can witness the entire bread-making process; this translates to a higher level of confidence and trust in the brand, which is vital to the Group. At Din Tai Fung, ISCA Youth Associates looked through the glass at the restaurant’s front kitchen, and observed the chefs preparing the brand’s signature steamed pork dumplings (小笼包) from scratch. The company visit included an intimate sharing session with Group CFO and Group CIO Chan Ying Jian, during which he shared his career journey and spoke about the complexities of today’s business arena. Mr Chan commenced by having the ISCA Youth Associates introduce themselves to everyone in the room. Unbeknown to them, he was using the opportunity to assess each student’s elevator pitch to determine who stood a higher chance of landing a position in the organisation, if he had one to offer. He shared with the students the importance of recognising their own strengths, and knowing how to convey these to others. Relating his own career journey, it was clear that Mr Chan knew where his strengths and interests lie. He had joined BreadTalk in 2014 after close to seven years at J.P. Morgan, as he felt that the opportunity was too exciting to pass up. He urged the students to carefully consider every opportunity that will come their way in the future, and highlighted that monetary compensation should not be the only consideration in deciding on their career options. “By exposing yourself and seizing various opportunities, you would be able to discover which career pathway is most suitable for you. Do not limit yourself, do not be afraid to push your own boundaries, and always be open to explore different possibilities,” he added.



BY KON YIN TONG



2020:

What Lies On The Horizon

MANY OF US ARE INTERESTED IN ONE SPORT OR ANOTHER. I'm into rugby. A rugby team reminds me of the Institute's membership. Players in a rugby team come in all shapes and sizes. You will see bigger, heavier players use their build to fight for ball possession. Meanwhile, agile players are usually the ones who score the most tries.

Similarly, in the accountancy profession, there is diversity of talent beyond conventional accounting and auditing services. ISCA members are making their strides across industries, in senior management roles and increasingly in specialised fields such as financial forensics, and infrastructure and project finance. This is reflected in the diverse makeup of ISCA's membership in terms of job functions and industry sectors, among others. To meet the varied needs of our diverse membership, ISCA has put

in place a wide range of initiatives. Looking back at 2019, we have launched a number of new initiatives. For example, the Institute introduced the ISCA Youth Associate Student Membership for accountancy undergraduates from our local universities. As ISCA Youth Associates, students enjoy a range of benefits by being affiliated to the national accountancy body. Youth Associates get to familiarise themselves with ISCA as well as learn more about the various career pathways by engaging with industry professionals through company tours, industry talks and other events that ISCA organises. For members looking to enter the field of infrastructure and project finance, which is expected to experience high growth, ISCA's newly launched Infrastructure & Project Finance Qualification (ISCA IPFQ) and the accompanying ISCA Infrastructure



At ISCA, we endeavour to meet the professional needs that you may have, be it in professional education and training, making sense of new trends impacting the industry, or gaining professional recognition in your field.



PHOTO SHUTTERSTOCK

& Project Finance Professional (IPFP) credential would come in useful. ISCA IPFQ is the first such qualification in Asia which leads to the conferment of the IPFP credential by a professional body. The Qualification is suitable for entry-level professionals who are interested in infrastructure and project finance.

As ISCA achieves further progress in becoming a globally recognised professional accountancy body, members will also enjoy greater professional recognition internationally. With this in mind, the Institute has continued its efforts to grow its profile outside Singapore. Last year, we carried out capacity-building projects such as training on ISCA's "Audit Manual for Standalone Entities" (AMSE) in Vietnam, and training on ISCA's "Audit Manual for Group Entities" in Myanmar. Together with the Singapore University of Social Sciences, ISCA provided training in areas such as principles of accounting, professional ethics, and Singapore's fiscal policy for the Laos Ministry of Public Works and Transport. The Institute also signed a Memorandum of Understanding with the Vietnam Association of Certified Public Accountants for the translation, publication and distribution of ISCA's AMSE in Vietnam.

These are just a handful of things that kept us busy in 2019. At ISCA, we endeavour to meet the professional needs that you may have, be it in professional education and training, making sense of new trends impacting the industry, or gaining professional recognition in your field. After all, our members are at the heart of everything we do at ISCA. I'm sure you are keen to find out what we have in store for you in 2020.

PUTTING OUR BEST FOOT FORWARD

In any sport, players training for a match typically put in hours of training so that they can put their best foot

forward during the actual match. This is no different from our members striving to shine in their field.

With disruptive forces continuing to alter the way we work, and the nature and type of our work, it is pertinent that we keep our knowledge and skill sets up-to-date. This will ensure that we can continue to put our best foot forward and earn the trust and confidence of those whom we work with and for.

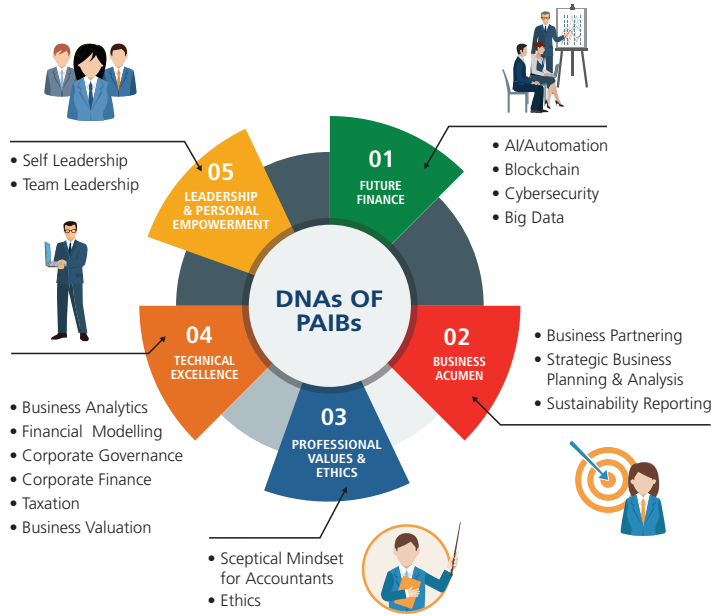
Compliance Certificate

As the national accountancy body, ISCA is committed to keeping the

profession relevant by developing our members' expertise in high-growth areas. In doing so, our members would enjoy expanded career options. Last year, we launched the ISCA IPFQ and Pathway. In 2020, ISCA will be exploring the development of stackable certificates in compliance-related areas. Members will be able to obtain knowledge and skills in topics such as data protection, ethics and governance, cybersecurity, and anti-money laundering requirements. If there are other up-and-coming areas which you are interested to develop your skills in, we would like to hear from you.

ISCA Professional Business Accountant Designation

For those who would like to keep themselves abreast of the key competencies and skill sets of a professional accountant, look no further than the Professional Business Accountant (PBA) Programme, which leads to the ISCA PBA designation. The ISCA PBA designation validates the expertise and knowledge our members have acquired as a professional accountant, which is highly valued by employers and the industry.



The new ISCA PBA Programme is tailored to enhance members' competencies for Industry 4.0, and aligned to the ISCA PAIB Framework

A phased approach was adopted in introducing the PBA Programme, which covers topics in five areas with a strong focus on practical business cases: (1) Technical Excellence (example, Taxation, Business Valuation); (2) Business Acumen (example, Business Partnering, Sustainability Reporting); (3) Future Finance (example, Cybersecurity, Big Data); (4) Professional Values and Ethics, and (5) Leadership and Personal Empowerment. With 10 hours of PBA e-learning rolled out in 2019, we continue to work on programme contents development

in 2020. You can look forward to modules on business partnering and leadership as soft skills are increasingly important to accountants. This is because expectations of accountants have evolved and they are now required to provide business insights to improve decision-making, explain the story behind the numbers and work well across teams. The full Programme will be available by the first half of 2020. The 30 learning hours accumulated in the course of the PBA Programme will be eligible for meeting CPE requirements.

The Institute will be launching a series of new initiatives to support our members in their career development. We will be rolling out the first Accountancy Virtual Career Fair in partnership with Workforce Singapore in the second quarter of 2020.





You can apply for the ISCA PBA designation via two routes. The first route is via the completion of the ISCA PBA Programme and having met the membership-cum-three-year post-qualification relevant work experience requirements; the second route is for existing Associate (ISCA) members whose membership was approved on or before 1 October 2019, and who possess five years of post-qualification relevant work experience, to opt for the one-off grandfathering scheme (valid till 31 December 2021).

Robotic Process Automation Certification Course for SMPs

To prepare SMPs for a digital future, ISCA and Singapore Polytechnic are collaborating to offer a Robotic Process Automation (RPA) course for employees of SMPs. The course will feature a practical component; upon completion of the course, participating firms would have implemented at least one RPA function in their organisation. According to the 2018 Deloitte Global RPA Survey, organisations that have started using RPA reported significant benefits, including improved compliance (92%), improved quality/accuracy (90%), improved productivity (86%) and cost reduction (59%). We expect over 100 SMPs to benefit from this programme over the next few years.

Accountancy Virtual Career Fair

One of ISCA's key focus areas is our members' career aspirations. The Institute will be launching a series of new initiatives to support our members in their career development. We will be rolling out the first Accountancy Virtual Career Fair in partnership with Workforce Singapore in the second quarter of 2020. This would address some of the common issues that members face in their job search, such as difficulty in finding suitable jobs from generic career portals and not having the time to attend a physical career fair despite being keen. We will be partnering with relevant stakeholders to host a virtual job placement platform specifically for accounting- and finance-related jobs.

ISCA Mentoring Programme

ISCA recognises the importance of nurturing young accountancy professionals so that they, too, can put their best foot forward and contribute effectively to the profession. Under our ISCA Mentoring Programme, experienced members can guide young members to achieve their professional aspirations. I encourage our senior members to sign up as mentors. It will be a rewarding experience as you see our younger members blossom under your guidance.



UPLIFTING MEMBERS IN THEIR GAME

In sporting events, sports teams and even the audience would welcome clarity from the referee on the rules of the game. The same can be said in the business world. Evolving trends, or even the adoption of technology in our work, sometimes make things fuzzy. ISCA works hard to support the profession and our members through the various publications that we issue.

Financial Reporting Guidance – Accounting for Cryptoassets

As the use of cryptoassets grows more varied and complex, stakeholders will require more information on these assets and the related transactions. Consequently, preparers of financial statements need to ensure that the accounting and disclosures for such transactions are appropriate and adequate. At present, cryptoassets are not explicitly within the scope

of any International Financial Reporting Standard.

ISCA has issued the Exposure Draft, ED Financial Reporting Guidance (FRG) 2 “Accounting for Cryptoassets: From a Holder’s Perspective”, under the ISCA Financial Reporting Codification Framework for public consultation. ED FRG 2 provides an understanding of the nature of various cryptoassets and guidance on the accounting of cryptoassets by the holder. We are currently considering comments and feedback received during the comment period, and will issue the finalised FRG 2 in early 2020. The next step will be to consider the appropriate accounting treatment for cryptoassets from the perspective of the issuer.

Guidance on Use of Data Analytics in Audit

Increasingly, audit firms are using data analytics to enhance audit quality and improve efficiency. As they do so,

auditors may experience challenges in applying insights generated by data analytics as it is in a different form compared to audit evidence gathered through conventional audit procedures. ISCA will be developing a guidance to aid our auditor members and the profession in utilising data analytics appropriately, and in complying with the requirements of auditing standards.

ESTABLISHING OURSELVES AS REPUTABLE PLAYERS

Being a skilful and reputable sports player can bring about many opportunities; these include the opportunity to compete and shine at internationally renowned sports events, and business opportunities such as product endorsements. These in turn elevate a player’s professional and personal profile. At ISCA, we strive to help members showcase their professional achievements through several means.

Last year, the Institute launched the ISCA Digital Badges along with the Chartered Accountants Worldwide Network Member Logo. Unlike paper certificates, Digital Badges enable you to share your professional achievements with just a few clicks on social media such as LinkedIn and Facebook, as well as on your email signature, digital resume and business cards. I encourage everyone to make use of your ISCA Digital Badge(s) and Chartered Accountants Worldwide Network Member Logo to share and showcase your professional achievements, and your membership with a global network of leading professional accountancy institutes.

Singapore Accountancy Awards

The biennial Singapore Accountancy Awards, which recognises significant contributions and excellence by organisations and individuals in the industry, will be back this year. Winners will be able to enhance their

corporate and personal profiles. Do keep a lookout for new categories of award that will be unveiled this year. We encourage you to nominate your peers whom you think are deserving of such recognition.

CONCLUSION

Last but not least, the Institute will be revamping its corporate website. The new website will be more member-centric and user-friendly, thus enabling our members to access information with ease. We expect this to be ready by year’s end, so do keep a lookout for it.

The Institute will also be introducing an electronic voting system this year to replace the current paper balloting process for the election and by-election (where applicable) of Council members, as well as for the passing of resolutions with effect from the upcoming 2020 Annual General Meeting. With e-voting, members will be able to cast their votes on-the-go via their smartphones, laptops or computers during the specified election period. This will make voting convenient for members and help increase our members’ participation numbers. Equally important is that e-voting would be more cost-efficient than paper balloting, election results would be available more quickly, and the accuracy of votes cast would improve as there would not be spoilt votes. The resources saved can then be channelled towards other programmes and services for our members.

As we work together to develop the Institute into a world-class organisation, I welcome your continued support and feedback. Here’s wishing all ISCA members good health, success and a very happy New Year! ISCA

Kon Yin Tong is President, ISCA.



In 2020, ISCA will be exploring the development of stackable certificates in compliance-related areas. Members will be able to obtain knowledge and skills in topics such as data protection, ethics and governance, cybersecurity, and anti-money laundering requirements.

MEMBER PROFILE

WHEN QUEUE-CUTTING IS A WIN-WIN

T WAS WHILE STANDING IN LINE AT HIS FAVOURITE COFFEE JOINT for his afternoon cuppa that Kevin Tan, 34, noticed a patron strolling into the café right to the front of the queue, grab his order and go. Annoyance gave way to curiosity – the then-junior auditor chatted with the shop owner to find out what warranted the “VIP” experience. The man who had “cut the queue” was a regular who paid upfront at the start of every month. The moment he walked in, the café owner would prepare his drink and draw down from the tab. Some years later, this observation would form the impetus for Mr Tan’s own business, the cheekily (but aptly) named CutQ, which helps users skip queues and have their orders ready for pickup via a mobile app. In early 2019, after CutQ had been operating for three years, it was acquired by mobile payments and loyalty platform Fave, which also brought him on board.

With the accelerated growth in mobile payments in the region and competition from the likes of ShopBack and RebateMango, it became apparent to Fave that it had to progress beyond just deals and mobile payment, and expand to more value-added services for merchants and consumers; this was where Mr Tan’s experience fits in.

The knowhow he gained at CutQ gave him a running start as Business Manager

at Fave, where he set up its new table-ordering and takeaway services in May and October respectively last year. The table-ordering service enables customers to scan a QR code on the table, place their orders and make the payment instantly. “Restaurants witnessed a 20% reduction in staff work, and the feature is being consistently used by 50% of customers,” reveals Mr Tan. The takeaway service allows customers to order their meals, make payments on-the-go and drop in just in time to pick up their order, without wasting time queuing. The value for merchants is obvious too – they can lock in sales before customers even reach the shop.

Over 400 restaurants have been using Fave’s takeaway and table-ordering services in Singapore since they were launched. Last year, Fave processed over S\$150 million in revenue for merchants and is currently present in over 10,000 merchant locations in the island-state. The next milestone is 100,000 merchants by 2020 in

Kevin Tan, Associate (ISCA), Business Manager, Online Ordering, Fave



“Accountancy gives one the foundation to go into business; your fundamentals must be strong so that you can adapt to various situations. What’s your top line? What’s your burn rate? What’s your path to profitability? You must know how all the numbers gel together.”



CAREER HIGHLIGHTS

- 2009 to 2012
Senior Associate, PwC
- 2013 to present
Director, Epic Enterprises Pte Ltd
- 2018
Master of Business Administration
(Specialisation in Strategy and Organisation),
National University of Singapore
- 2019 to present
Business Manager, Online Ordering, Fave

“There’s a lot to be said for perseverance. Having great teams and people that support you on your journey is so important when you’re sticking it out for something you believe in because it does get rough.”

Southeast Asia – no mean feat for a company that was launched just three years ago.

MAKING THE LEAP

The pivot from audit to startup is not the most natural of career trajectories, but it turned out to be the right one for Mr Tan, whose father is an accountant and whose mother did advisory work at a Big Four accounting firm. “I loved business as a concept, but my father advised that if I can understand the fundamentals of numbers, I will understand the fundamentals of how companies do business,” he says. Today, he offers the same advice to aspiring accountancy professionals, and even more so to those looking to go into business. “Accountancy gives one the foundation to go into business; your fundamentals must be strong so that you can adapt to various situations. What’s your top line? What’s your burn rate? What’s your path to profitability? You must know how all the numbers gel together,” he elaborates.

Upon completing his bachelor’s degree in accountancy and finance from the University of Sydney, Mr Tan worked as an auditor at PwC, concurrently attaining professional qualifications from ISCA and CPA Australia. But while the job allowed him to be involved in significant audit engagements, it was only a matter of time that the entrepreneur in him wanted out. In 2013, after three years at PwC, he decided to quit and enrol himself into an MBA programme in London. With a few months to go before flying out, he decided to work at a local café. “When I was studying in Sydney, one of the things

I fell in love with was its coffee. The Australians started the ‘third wave coffee’ movement that we now see very strongly in Singapore,” recalls Mr Tan. (According to the Michelin Guide, first wave coffee refers to the average cuppa of joe – no particular roast or flavour profile – catering to the mass market. When Starbucks launched in the 1970s, it brought on the second wave, which paved the way for what is today known as the third wave coffee movement, characterised by small, independent purveyors offering artisanal or speciality coffee.)

It was during his stint at the café that he noticed the snaking queues during peak hours. “With your normal ‘kopi’, you can make many cups at one go, but not with speciality coffee. Each cup is individually brewed, which takes a long time. And not every café can afford to have multiple baristas and cashiers like Starbucks.” How could he support this “third wave coffee” movement in Singapore, short of starting his own café? Recalling the makeshift pre-payment system he saw in action while standing in queue some years ago, the idea of a food ordering app began to form in his mind. He floated the idea to several business owners and received enough positive feedback to work towards securing a government grant. When that came in at the end of 2013, Mr Tan went into hustle mode. As his young family expanded, he held down a day job doing business development at a property developer, while developing the ordering platform – and working towards his MBA, no longer in London but at the National University of Singapore instead.

Six years and three children later, the startup that came to be known as CutQ was acquired by Fave, where Mr Tan currently works. Today, he thrives on wearing different hats as the situation demands, be it in growth strategy, merchant management, tech troubleshooting, or sales – a role which he found he could do surprisingly well. “Working in a startup, I learned a lot about being humble, and that comes from a place of honesty. When you are trying to build a startup, you need to sell your dream to others. Effectively conveying that dream requires honesty. People can instinctively tell if you’re genuine,” he shares.

AN EYE ON TOMORROW

How has the journey been so far? “There’s a lot to be said for perseverance. Having great teams and people that support you on your journey is so important when you’re sticking it out for something you believe in because it does get rough,” he admits. “I’ve learnt that it’s always in the nick of time that the doors we knock on pay off. And so we learn to celebrate – both the big and the small victories.”

With Fave’s exponential growth signposting a future that may arrive sooner than expected, it is differentiating itself by building up a robust merchant technology infrastructure to scale up and help merchants grow more effectively in the digital economy. Its new data and analytics arm, Favebiz Insights, will equip merchants with business analytics to help them improve performance, and its entry into the lending space is aimed at helping small and medium-sized enterprises obtain financing easier – by leveraging their operating data for credit.

What’s in store in the coming years? “As we start to see the shifts in consumer mindset about takeaway and order-pay-collect services, we’re looking to bring our services not just to individual stores and merchants but mall-wide. I’m delighted and proud to be among the people at the forefront of this change in Singapore,” says Mr Tan. ISCA



Young professionals from the ISCA Young Professionals Advisory Committee discussed the issues facing the industry at a structured focus group session



Audit practitioners brainstorming at the focus group session to develop industry problem statements

An insightful introduction to the changing accountancy landscape in Singapore, with emphasis on the need to mitigate the issues with innovative solutions



BY ISCA AND SAC

ACCOUNTING INNOVATION CHALLENGE 2019

Hackathon For The Future Of Accounting

DRIVING INNOVATION is one of the key priorities on our national agenda for the accountancy sector. In line with the Accountancy Industry Digital Plan (IDP) launched in August 2019 to encourage digitalisation and innovation, the Singapore Accountancy Commission (SAC) and ISCA co-organised the second edition of the only accountancy hackathon in Singapore – Accounting Innovation Challenge (AIC). The AIC 2019 final on 8 November 2019 was the culmination of efforts that spanned over four months. AIC brought together both professional accountants in practice (PAIPs) as well as in business

(PAIBs); programme developers and designers from technology startups and established companies, and students from the tertiary institutes to collaborate and co-create meaningful solutions to address the common business challenges faced by the accountancy sector.

ENGAGING STAKEHOLDERS

The journey commenced in August 2019 with a series of roundtable discussions involving approximately 60 stakeholders from three key groups, namely, audit practitioners, Chief Financial Officers (CFOs) and finance leaders, and young professionals. With the objective to curate industry-validated challenge statements based on issues commonly faced by the industry, the stakeholders collectively crafted seven challenge statements for the hackathon. These statements centred on routine audit processes, audit risk management, knowledge database, talent management and innovative learning related to continuing professional development.

The pre-hackathon information session on 26 September 2019 gathered some 70 participants. They heard from ISCA, SAC and industry practitioners from the Big 4 firms, who shared industry knowledge and useful insights to help them prepare for the upcoming hackathon.

THE HACKATHON BOOTCAMP

The Hackathon Bootcamp on 4 and 5 October 2019 brought together 220 attendees from accounting entities, technology firms, Institutes of Higher Learning, industry bodies and government agencies. Participants connected with industry and technology experts, and the venue, Pixel@One North, soon became a creative space for participants to ideate, experiment and build connections between technology and the accountancy industry.

Some participants came with pre-formed teams while others joined forces with like-minded people they met at the Bootcamp. Over two days, the teams commenced discussions on the plausible solutions for their chosen challenge

statements. To ensure that they had sufficient domain knowledge and other requisite skills, ongoing workshops – covering topics including communication skills, design thinking, data analytics, predictive analytics and machine learning, artificial intelligence, and web development – were conducted on-site by industry practitioners and technology firm experts. Additionally, for teams that required a more targeted mentoring approach, industry mentors were available to help contextualise the problem statements.

Participants of the two-day Hackathon Bootcamp



CFOs and finance leaders with their challenge statements, after a roundtable focus group discussion



Seven challenge statements were revealed to hackathon participants during the pre-hackathon information session at ISCA House





▲ Industry professionals mentoring participants on their challenge statements

On the second day, nearly 40 teams presented the solution to their respective challenge statement. The evaluation committee, comprising representatives from ISCA, SAC and Singapore Institute of Technology, shortlisted five teams for the finals. These finalists distinguished themselves in the criteria of Problem Relevance, Technical Merits, Business Potential and Originality. They were then given additional training in the form of a pitching workshop to hone their presentation skills, so they can deliver their business ideas to industry experts in the most succinct and effective way.



LEVERAGING INNOVATION AND TECHNOLOGY

The AIC final was held at the National Gallery Singapore on 8 November 2019, where participants garnered more insights into the future of accountancy. The workshop, delivered by industry veterans, included topics such as artificial intelligence and a panel discussion titled “Digitalising The Accountancy Workplace: Be Gen Z Ready!”.

In his opening address, SAC Chairman Chaly Mah highlighted innovation as one of the key thrusts of the Accountancy Roadmap that was launched last year to

▲ SAC Chairman Chaly Mah giving the opening address

▲ Panellists of “Digitalising The Accountancy Workplace: Be Gen Z Ready!”: (from left) ISCA Vice President Yvonne Chan; Mr Unsworth; Sanjay Panjabi, Audit Analytics Leader, Deloitte Southeast Asia, and Richard Koh, Chief Technology Officer, Microsoft Singapore

develop Singapore into a leading global accountancy hub. He shared, “It is critical for the accounting sector to press on with innovation and digital transformation, given the technological disruption that is occurring at both global and local levels. Accountants will need to leverage technologies to reshape the way they provide services to businesses.” Mr Mah added that the professional bodies and government agencies will work closely with the industry to develop more initiatives that



▲ Judging panel of distinguished professionals: (from left) Sinuhe Arroyo, Founder and CEO, Taiger; Ken Ong, Partner, Assurance, EY LLP; Haridas Kanagasabai, Partner, Audit & Assurance, Deloitte Singapore; Sarjit Singh, Executive Chairman, Ardent; Greg Unsworth, Risk Assurance and Digital Business Leader, PwC Singapore, and Tan Khai Boon, Partner, Audit, KPMG

will support firms to innovate and support Singapore’s role as an innovation hub.

The panellists delved into the need for a sectoral digital transformation to attract and retain Generation Zs in the accountancy sector. This is pertinent as Centennials have different wants and desires in their career choices. Responding to questions from the delegates, the panellists shared their experiences on the successes and pitfalls of digitalisation in the accountancy workplace, and some of the lessons they learnt from their younger counterparts.

The highlight of the event were the pitches made by the five AIC finalists. Each team was given five minutes to present their solution to the panel of judges, followed by a question-and-answer (Q&A) segment. After an intense pitching and Q&A session, the Champion and Runners-up were announced.

AIC 2019 was a rousing success, with more than 200 industry delegates and 70 participants at the hackathon finals. Congratulations to the winning teams, who have the opportunity to access the startup mentorship programme, BACECAMP, run by the Action Community for Entrepreneurship. We look forward to witnessing the winning solutions come to fruition soon. ISCA

This article was written by Institute of Singapore Chartered Accountants and Singapore Accountancy Commission.

CHAMPION: STAPLE

AIC 2019 Champion, Staple, developed a cognitive technology that can convert business documents into structured data for workflow automation purposes. Staple, whose founding team comprises Chartered Accountant Ben Stein, and two computer scientists, Dr Josh Kettlewell and Dr Ashima Arora, uses a unique blend of machine learning, computer vision and optical character recognition (OCR) techniques to extract data with precision and speed, at scale.

Staple has an existing clientele for its bookkeeping solution, but that does not hinder its exploration of other novel applications to specific use cases such as auditing and engineering. For internal audit and external audit, the team is developing features to automate vouching processes, identify fraudulent anomalies and help businesses optimise operations to better manage its expenditure.



▲ (From left) Ms Chan with AIC 2019 Champion, Staple, comprising Ben Stein, Dr Josh Kettlewell and Dr Ashima Arora (both absent), and Mr Mah

1ST RUNNER-UP: ACCTBOT

AIC 2019 First Runner-up rose to the challenge and created Acctbot, a prototype solution using Diowork’s DIY Chatbot and “Braine”.

Acctbot presents an easy, appealing and effective way of learning for all accountancy professionals by transforming the learning experience through conversation. It provides an engaging and interactive experience via a persona – a 24/7 e-coach with a consistent delivery style.

Acctbot is also granted access to “Braine”, a Natural Language Understanding database which provides responses crafted by industry experts to answer queries, to continually improve with increased user interactions. Data analysis can be performed on Acctbot to allow management to make informed decisions on what to offer in future trainings.



▲ (From left) Ms Chan with AIC 2019 1st Runner-up, Acctbot, comprising Trudy-Ann Lui, Chang Soek Khim and Isabel Lim (absent), and Mr Mah

2ND RUNNER-UP: BBB

AIC 2nd Runner-up ShareX is a knowledge base which seeks to refine search queries and improve technical research for accounting technical research. It uses Natural Language Processing machine learning models such as Google Universal Encoder and data structures like the Knowledge graph to build associations between concepts and words. This allows ShareX to help users obtain useful information in a more efficient manner, and also reduces repetitive work.



▲ (From left) Ms Chan with 2nd Runner-up, BBB, consisting of Cyrus Teo, Teo Guo Hui, Chin Zhi Wei and Nigel Lee, all Nanyang Technological University undergraduates, and Mr Mah



PHOTO SHUTTERSTOCK



BY NIGEL HEE

THE CENTENNIALS: WORKFORCE OF THE FUTURE

Attracting And Engaging A New Generation

WE STARTED WITH BABY BOOMERS, then moved to Generation X. Next up was Generation Y and the Millennials. Now, we have a new generation of young people forging their own path.

There is no formal definition for when this new generation actually began, but the Pew Research Center defines the beginning of this post-Millennial generation as starting in 1997 to 2012.¹ This means that many of them are poised to join the workforce very soon.

There are also no official labels for this generation, but two commonly used terms are “Generation Z” and “Centennials”. Compared to all other previous generations, Centennials are on track to become the most diverse and well-educated generation. For employers looking to groom the next batch of leaders, including accountancy and finance professionals, understanding, attracting and engaging the Centennials is going to require a radical shift in approach.

¹ “Defining Generations: Where Millennials End And Generation Z Begins”, Jan 2019, Pew Research Center
² “Engaging Gen Z In Your Social Impact”, David Hessekiel, June 2018, Forbes
³ “What’s Your Strategy For Attracting Generation Z?”, Falon Fatemi, Mar 2018, Forbes

DEFINING CENTENNIALS

It is by no means easy to define any generation, much less one that is on the rise. Nonetheless, Centennials have some unique characteristics that stand in stark contrast to all previous generations: they have a strong entrepreneurial streak and are self-starters², they attach a greater meaning to their work³ and they are digital natives.

Entrepreneurial

For Centennials, the notion of success has been influenced by legendary, iconic entrepreneurs and Mark Zuckerberg (Facebook), Jeff Bezos (Amazon), Sergey Brin and Larry Page (Google) and Elon Musk (Tesla) are just a few notable ones. Their successes in transforming the ways we socialise, buy things, get information and travel have fundamentally changed our lives. More importantly, their efforts are living proof that anyone with a dream, coupled with grit and a desire to innovate, can revolutionise the world. It is no wonder entrepreneurial Centennials are stepping forward to try to realise their aspirations in startup ventures.



Centennials also seek a connection to a greater calling to derive meaning from their work. They will research potential employers to better understand their reputation and internal culture, and look for things like a strong brand image, brand values that they perceive to be ethical, and an engaging and open work environment.

Seek meaning

Success for Centennials has a very different definition. Monetary rewards used to be the main motivation for working. However, Centennials also seek a connection to a greater calling to derive meaning from their work. They will research potential employers to better understand their reputation and internal culture, and look for things like a strong brand image, brand values that they perceive to be ethical, and an engaging and open work environment. From this perspective, Centennials are not just the stereotypical office worker of yore but individuals who want to be an integral part of the big – and bigger – picture.

Digitally savvy

This desire to be cognisant of the big picture can partly be attributed to Centennials being the first true digital natives. Though Millennials saw the introduction of the Internet, the rise of smartphones and social media, the Centennials grew up surrounded by widespread mobile network, Internet search engines and the ability to connect with anyone, anywhere and at any time. Information about anything and everything is available at the drop of a hat, and this connectivity and accessibility has been nothing but a boon for Centennials. The large amount of information available to them has encouraged them to see the Internet as the first source of information, even if it is about potential career options. As a case in point, in a survey by the International Federation of Accountants (IFAC) of about 3,400 Centennials, 74% of the respondents said they get information about potential career options from the Internet.⁴

SO HOW DO WE ENGAGE THE CENTENNIAL?

- Any coherent strategy to attract and retain Centennial accountancy professionals should contain the following elements:
- **A coherent social media narrative:** A consistent social media messaging creates the appropriate platform for companies to promote themselves to the Centennials as they surf the Internet as part of their daily routines.
 - **A strong human element in the workplace:** An open work environment is not just about the physical space but being involved in the decision-making process.
 - **Broad training and development paths:** Foster the entrepreneurial spirit in Centennials by offering extensive opportunities for personal development.
 - **Meaningful work-life balance:** A clear boundary between “work” and “after work” needs to be established so that Centennials have the freedom to pursue their personal interests.

Ensure a consistent social media narrative

Centennials are voracious consumers and users of multiple social media platforms. Notable platforms that have whetted their appetite include Instagram,



(Meaningful work-life balance) encapsulates a holistic attitude towards work by employees and supervisors. Loosely conceived, it tends to mean a harmonious fit between the demands of professional and personal life.



Twitter and more recently, TikTok. Some 46% of Centennials surveyed by IFAC said social media was their channel of choice for information.

For companies that focus on providing accountancy-related services, this phenomenon presents itself as a particularly thorny issue. Social media is often (rightfully) perceived to be a minefield that, on first glance, does not seem to have a place in accountancy and financial services. However, social media is often the first place that the Centennials turn to for first-hand information about a company. They may search for and browse the official social media accounts of the company, its current employees and/or its LinkedIn page to construct their personal perspective. This means that these companies need to have a strategy that has a consistent social media narrative across all points of contact. Centennials who seek out these accounts are already naturally curious about the company. A consistent message will provide meaningful insights for them and thus set the company in a positive light.

Emphasise the human element

Despite their preference for forming their own opinions, Centennials still seek a strong human element in the workplace.⁵ Informal polls show that 72% of Centennials prefer a face-to-face conversation at work⁶ but may also find it difficult to distinguish whether a face-to-face conversation is more appropriate than an email or text exchange.⁷

For the workplace, this may require a fundamental re-examination of whether current hierarchies remain appropriate in light of the workforce that will be entering the market.⁸ Because Centennials crave collaboration and being close to the action, it may in fact be a great idea to include Centennials as much and as often as possible when decisions need to be made. One way is to have a leader for each smaller unit of the hierarchy. This allows Centennials to be closer to the decision-maker and provides them with opportunities to contribute and learn from the decision-making process.

Broader training and development paths

Centennials, as strong self-starters, gravitate towards learning but also tend to seek out new things that are not necessarily related to their professional work. A broad range of training and development courses and initiatives that provides sufficient background and knowledge for Centennials to explore different job roles and career paths should be made available to them.⁹

⁴ “Identifying What Matters Most To The Next Generation: Make Way For Gen Z”, 2018, IFAC
⁵ “A 16-Year-Old Explains 10 Things You Need To Know About Generation Z”, Nov/Dec 2018, SHRM
⁶ “This Is How Generation Z Will Communicate At Work”, Ryan Jenkins, Inc, Nov 2017
⁷ “Make Way For Gen Z In The Workplace”, Jan 2019, Knowledge@Wharton
⁸ What Gen Z Gets Right About Organisational Hierarchy”, Pivot Point, Mar 2019
⁹ “How To Attract And Retain Top Gen Z Talent”, Syed Balkhi, Aug 2019, Entrepreneur Asia Pacific

Another method may be for companies to create mentorship programmes to signal to Centennials that they are also investing in their personal growth.

Firms that focus on providing accountancy-related services may be well-placed to offer diverse training and development paths. With the advent of fintech and the ongoing disruption of traditional accountancy practices by new technologies, 75% of Centennials surveyed by IFAC think that technology will make accountancy-related jobs more interesting or more accountancy-related jobs will be created, compared to only 33% who think that technology will instead cause a decline in the number of accountancy-related jobs. The onus is now on companies to offer broad training and development paths to attract and retain Centennials interested in a career in accountancy.

Ensure meaningful work-life balance

For Centennials, work-life balance is not just about being able to work remotely or having a foosball table in the company premises. Rather, it encapsulates a holistic attitude towards work by employees and supervisors. Loosely conceived, it tends to mean a harmonious fit between the demands of professional and personal life. The IFAC survey revealed that 71% of Centennials felt that work-life balance is an important factor in deciding on a career, and 63% felt that professional accountancy offered that.

However, in practice, apart from technology enabling remote working, the company may also need to create meaningful and targeted family-friendly policies. These policies include, but are not limited to, flexible working hours, job-sharing, compressed work weeks and the freedom to control their own schedules.

For companies focused on providing accountancy-related services, remote working may be anathema as client information is confidential, while billable hours may be difficult to track while working remotely. Furthermore, there remains a strong sense of security and familiarity in having employees in the office. As such, work-life balance is not just about enacting these policies but also about employers changing their expectations.

ENACT CHANGES

Attracting and engaging Centennials will require a concerted and deliberate effort, targeting their unique characteristics. Companies need to start the process of adapting to this new wave of the workforce, particularly in their hiring and retention processes. The next Centennial accountancy professional is out there. You just need to get them to knock on your door. ISCA

Nigel Hee is Manager, Insights & Publications, ISCA.



BY LEE THONG TAN

FINANCE DISRUPTED

Impact Of New Technologies On The Future Of Finance

THERE SHOULD BE NO DOUBT that today’s business world is on the cusp of another revolution – a technological revolution, and one that is upending traditional business strategies and disrupting the status quo.

Businesses have to embrace technology and digital innovation. Many companies are now feeling the full effects of digitalised services and platforms, with artificial intelligence, machine learning and cloud computing being some examples of the technologies proliferating in the workplace. With very significant differentials in performance, cost and efficiency, these digital technologies have transformed how we work and are underpinning a wave of digital transformation within the workplace.

It is often said that digital transformation is not so much driven only by the companies in which they are utilised, but also by the increasingly digitally savvy customers and consumers who are served. Today, customers and employees alike expect a whole new experience in how they engage with businesses, and it is their journey that dictates the transformation strategy. With the world’s growing obsession with the latest technology and applications revolving around the desire for an easier and less complex life, the experience of the user is at the heart of digital transformation.

This is especially true for Asia Pacific, the fastest growing and most dynamic region for business anywhere in the world. While there have been varying pace of

digital adoption across Asia Pacific, many companies from the region are now setting the pace globally in technology-led business transformation.

FINANCE FIRST

Technological disruption is affecting many corporate functions today. In particular, it has strongly impacted the important role of finance. Innovations in technology and business management processes are creating greater opportunities for finance practitioners to add value to their organisations but are also demanding more attention, technical prowess and strategic understanding from them.

Many professionals in finance, using technology, have expanded the possibilities of their roles, which is inherently already vast. “Finance”, after all, is a very broad term used to refer to any number of activities revolving around financial planning and reporting. The finance function is often associated with the gatekeeper of company funds and cash flow and plays an important role in both the day-to-day and strategic long-term planning of many organisations. It is also one of the most integral corporate functions inherent in any company, and its remit can extend to include other functions such as human resources (for matters with payroll), compliance and procurement, and even strategy.

As we have seen with countless examples in the past decade, the disruption brought about by digital

Today, customers and employees alike expect a whole new experience for how they engage with businesses, and it is their journey that dictates the transformation strategy.



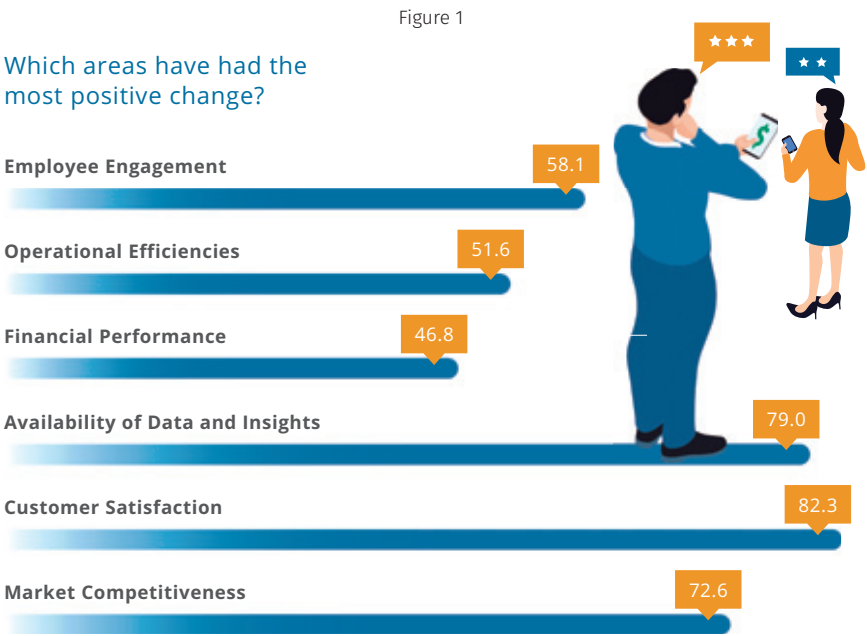
transformation can be ruthless. For the future of finance, it can be quite a bleak affair – evolve, or risk being left behind.

This is especially the case in larger and more complex companies whose finance teams are often subject to greater scrutiny in financial reporting and compliance than their smaller-sized counterparts. Yet, these large companies are also the ones that are more likely to have analogue finance systems, often as a result of cumbersome legacy systems that are so entrenched in the way of working.

To better understand the changes taking place in the finance function of companies in Asia Pacific, Workday commissioned a three-part survey of 337 Chief Financial Officers (CFOs) and financial leaders from large enterprises in Australia, New Zealand, Hong Kong and Singapore. The selection for the survey was limited to only Vice Presidents, C-suite executives and Directors in audit, compliance, accounting, financial planning and finance. In the second iteration of the study, Workday aims to examine the real impact felt by finance leaders and large companies in Singapore and the region as economies and companies digitally transform, and what it takes for them to continue to thrive and deliver results in this changing environment.

MIXED RESULTS

The findings are interesting because the headline figures concur with mainstream world views on the prevalence of digital transformation in the business world, yet a closer look raises many other questions about just how well Singapore



finance professionals are managing in this regard. An overwhelming majority of finance leaders in Singapore (94%) said that their companies were driving digital transformation, and four in five were prepared for digital transformation. Over three in five said that their teams have adopted digital transformation initiatives in the past 12 months.

These figures corroborate and highlight just how effecting meaningful transformation has become such a high priority for many companies today. Workday's research into this shows that digital transformation has had the most

positive impact on customer satisfaction, according to four in five (82.3%) respondents. Enhanced availability of data and insights (79%) is a close second, followed by market competitiveness (72.6%), which again reinforces the belief that companies use these cutting-edge tools to improve customer experiences and increase speed and agility in garnering insights (Figure 1).

However, many are realising now that digital transformation presents both opportunities and challenges alike. For instance, almost a fifth of finance teams said that they were unprepared to embrace digital transformation. The results also show that many firms which adopted digital transformation initiatives in the past year or so saw positive results but worryingly, over a quarter are not seeing any positive effects brought about by digital transformation. In a technologically-enhanced and digitalised country such as Singapore, which has ranked extremely highly in recent gauges of digital transformation across Asia Pacific, this should be of some concern to business leaders.

THE HUMAN TOUCH

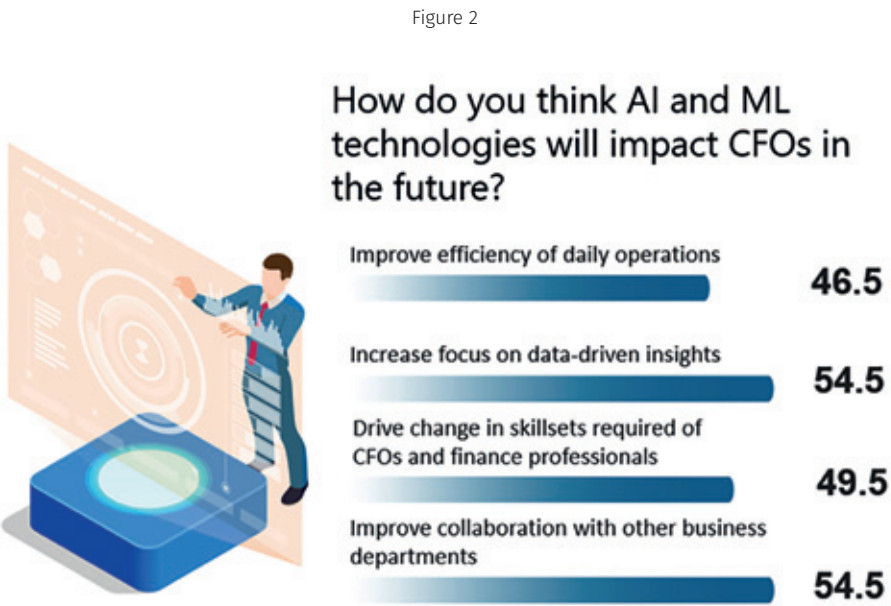
The impact of these new technologies and digital transformation will be felt not just on the corporate level but also on a human level, as there will be increased focus on the evolving role of the employees and how they will adapt and thrive in this new environment.

PHOTO SHUTTERSTOCK

The findings also suggest that there will be a changing emphasis on the skills required for finance professionals to succeed in the future. Many respondents also believed that digital transformation will ultimately have a significant impact on the finance team's collaboration with other business departments (54.5%), increase the focus on data-driven insights (54.5%) and drive change in skill sets required by CFOs and other finance professionals (49.5%) (Figure 2).

In a fast-moving environment with lots of evolving data and collaboration between different business functions, it is also no surprise that Analytical skills (25.7%), Risk Management (16.8%) and Leadership (15.8%) are cited as the top skills for finance professionals to have in the future (Figure 3). This reflects the far-reaching impact of many digital transformation projects today, where changes are rarely isolated in one department or function. Across the entire organisation, different teams must pull together in the same direction, often led by finance, which means better communication and a pressing need to see the bigger picture.

Another interesting revelation is the seeming contradiction to traditionalist views on jobs displacement caused by digitalisation. Some 87.1% of finance leaders believe that the maturation and advent of more technologies in artificial intelligence and machine learning will increase the headcount of finance teams over the next three to five years. From a business perspective, the ongoing war



for talent and constant skills shortages in crucial technical roles are making roles that encompass both technology and finance ever more important to finance teams. Only 12.9% believe that the rise of new technologies will lead to a reduction in headcount.

THE FUTURE OF FINANCE

Ultimately, while new technologies have proliferated in the finance function, the fact remains that technology is just an enabler of digital transformation and not a means to an end. This was reflected in

the responses of Singapore finance leaders with only barely more than half (52.5%) believing that new technologies in artificial intelligence and machine learning will significantly affect the role of the CFO and the finance function. Singapore was also the only country surveyed where a slight majority believe that these technologies will affect the role of CFOs and the finance function. Finance professionals in the other countries surveyed did not recognise the potential impact and change within the sector.

It is important for finance leaders to be aware of and manage digital transformation well. As the custodians of a company's financial well-being, finance leaders will have to champion the cause of strong, digitally transformed workplaces. This will allow their teams to reap the many benefits that digital transformation can offer. While many companies are actively investing in transforming their finance teams to enable future innovation and streamline efficiencies, the main barriers to organisations being fully digital will be less about technological constraints and more about the lack of digital vision, strategy and workforce readiness. Finance leaders should take note of how the tides of transformation ebb and flow, and see where they can generate the most value for their companies. ISCA

Lee Thong Tan is Regional Financials Lead, ASEAN & North Asia, Workday.



FROM PERSPECTIVES@SMU

ARTIFICIAL INTELLIGENCE

Real Concerns And Cash

MOST ARTIFICIAL INTELLIGENCE (AI) CURRENTLY IN USE can be classified as “narrow AI” that does one specific task. Spam filtering tools, chatbots, and Apple’s Siri app are all examples of narrow AI.

Self-driving cars are also examples of narrow AI albeit complex ones. As the algorithms and programmes are iteratively improved, how they are created is affected by the biases of the programmers involved, as evidenced by a research paper titled “Predictive Inequity In Object Detection” by three Georgia Tech computer science professors. The authors expressed concerns that automated vehicles were less likely to detect darker-skinned people than they would lighter-skinned ones.

The authors concluded that “standard models for the task of object detection, trained on standard data sets, appear to exhibit higher precision” on fairer skin tones than darker skin tones. “You need to know the kinds of biases that exist, and need to equip the machine to understand these biases,” explains SMU Associate Professor of Information Systems Pradeep Reddy Varakantham. “For the machines to be trustable and usable, those biases would need to be figured out and eliminated automatically.”

“If the biases have to be figured out manually for every problem being addressed, it will become extremely challenging. That’s why researchers are working on automated methods of making systems more sentient (providing perspective) – figuring out all the things that will impact the problem at hand or the task at hand – so as to eliminate the biases,” adds Prof Varakantham.

With the history of crashes involving self-driving cars, that is perhaps a good thing. From Tesla’s 2016 Florida “white truck” accident to its 2018 Model X crash in California – both fatal – these “boundary cases”, as Prof Varakantham

describes them, fall within the very small number of instances where certain conditions combine to produce scenarios that algorithms fail to process correctly. As each scenario is programmed into future software updates, “this kind of iterative modification would be the right way of fixing those 0.01% of errors”, asserts Prof Varakantham.

SYMBOLIC LEARNING

Self-driving cars can be programmed using a branch of AI called symbolic AI or symbolic learning, which also encompasses robotics and involves image processing and computer vision. While improvements to self-driving cars might improve safety perceptions, advancements to robots often inspire fears of real-life incarnations of Hollywood movies such as “Terminator” and “I, Robot”.

On the website of Boston Dynamics, an MIT spinoff that specialises in robotics, there is a section featuring a humanoid robot called Atlas. It is able to run, jump, open doors and even do back flips. In a video demonstration, it is able to adapt and overcome a scientist’s repeated attempts to foil its goal of lifting a 10-pound box.

“Stereo vision, range sensing and other sensors give Atlas the ability to manipulate objects in its environment and to travel on rough terrain,” says the website. And, perhaps rather ominously, “Atlas keeps its balance when jostled or pushed and can get up if it tips over.”

“It’s still very goal-oriented; it’s specialised,” Prof Varakantham tells Perspectives@SMU, pointing out that robots are unable to do general tasks for which they were not specifically programmed, and are therefore still a very long way off from becoming the sentient machines depicted by Hollywood. But noting that Boston



“We do not know what the governments are doing with these technologies but there should definitely be a regulatory authority, but who regulates the government?”



When asked if legislation should be introduced to make tech companies share revenues generated from users' data, Prof Varakantham points out that these companies could turn the tables and say users are paying for an otherwise free service with their data.



Dynamics has done work with the US military, the SMU professor points out the need to regulate developments on that front.

"We do not know what the governments are doing with these technologies but there should definitely be a regulatory authority, but who regulates the government?" asks Prof Varakantham, who serves as course coordinator for the School of Information's Artificial Intelligence track. "Definitely, these robots shouldn't be given access to any general decisions that will directly impact humans. As long as they are in a lab somewhere, they are bound by that. But if they are doing anything that directly impacts humans, it would need to be regulated."

FREE SERVICES... PAID WITH DATA?

While self-aware robots will not be a reality any time soon, AI in the form of social media feeds and customised audio playlists are commonplace. These applications run on algorithms controlled by technology giants Google, Apple, Facebook, Amazon, etc, who create massive revenue via users' data.

Should the people on whose data these companies depend to create money be paid for

the use of their data? Can it be done? Should it be done?

"I believe it should be done if the companies are making money off these data points that customers are providing," Prof Varakantham opines. "In some sense, in places where the data is more actively being contributed, it is already happening, like on YouTube. But on things like Facebook where you just post your data once... what amount each person contributes to (the bottom line is unclear). I think it would make sense for the companies to (pay these users) so that they also have customers who are loyal to the website. I think it will happen as and when the companies figure out the right way of connecting the data to the actual money coming in."

When asked if legislation should be introduced to make tech companies share revenues generated from users' data, Prof Varakantham points out that these companies could turn the tables and say users are paying for an otherwise free service with their data. The key to the service provider-user platform, he says, is data privacy.

"There is this notion of privacy controls they have introduced and, if a lot of people are using them to great deterrence for Facebook, then I think they will start thinking about these money incentives. I think at that point, maybe there will also be proper legislation on how much privacy controls each company should provide because if they provide too little, then the customers have no say in it. But if there are enough controls that are provided for the customers generating the data... and there are enough people who are controlling their data properly, then I think the incentives will be more forthcoming." ISCA

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Global Mindset, Asian Insights

TECHNICAL HIGHLIGHTS



ETHICS

ISCA ISSUES REVISED EP 100 TO ADOPT NOCLAR PRONOUNCEMENT

The NOCLAR Pronouncement sets out a framework to guide the auditors, other professional accountants in public practice, and professional accountants in business, given their responsibility to act in the public interest, in assessing the implications of the matters and the possible courses of actions, when they become aware of NOCLAR, committed by a client or employer. The expected effective date is 1 April 2020.

For more information, please visit <https://isca.org.sg/ethics/ethics-headlines/ethics-headlines/2019/december/ep-100-amendments-expected-to-be-effective-1-april-2020/>

FINANCIAL REPORTING

ISCA COMMENTS ON IASB’S PROPOSED AMENDMENTS TO IAS 12 ON DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

We agree that the proposed amendments to IAS 12 *Income Taxes* relating to deferred tax related to assets and liabilities arising from a single transaction are conceptually sound. However, we raised concerns about the potential challenges in applying the proposed amendments, for instance, the requirements to separate and track the subsequent reversal of temporary differences arising from lease accounting in accordance with IFRS 16 *Leases*. To facilitate the application of the proposed amendments, we recommended that the proposed amendments include explanatory paragraphs and illustrative examples, and to allow practical expedients to alleviate the cost of applying the proposed amendments.

For more information, please visit <https://isca.org.sg/media/2823661/comment-letter-ias-12.pdf>

IASB CHAIR’S SPEECH ON OPPORTUNITIES AND CHALLENGES IN 2020

At the World Standard-setters Conference in London, IASB Chair Hans Hoogervorst called on the standard-setters to ready themselves to contribute with comments to important upcoming consultations from IASB.

For more information, please visit <https://www.ifrs.org/news-and-events/2019/09/2020-opportunities-and-challenges/>

IFRS 17 PODCAST ON NOVEMBER IASB MEETING NOW AVAILABLE

IASB Board members Darrel Scott and Nick Anderson joined technical staff member Roberta Ravelli for this podcast. Topics included an update on the investors’ view on the implementation of IFRS 17 *Insurance Contracts* and highlights from a recent discussion at the Capital Markets Advisory Committee meeting.

For more information, please visit <https://www.ifrs.org/news-and-events/2019/11/ifrs-17-podcast-on-november-iasb-meeting-now-available/>

IFRS STANDARDS AND CLIMATE-RELATED DISCLOSURES

IASB has issued an article titled “IFRS Standards and climate-related disclosures”. In this article, Board member Nick Anderson explains how existing requirements within IFRS Standards relate to climate change risks and other emerging risks.

For more information, please visit <https://www.ifrs.org/news-and-events/2019/11/nick-anderson-ifrs-standards-and-climate-related-disclosures/>

IFRS FOUNDATION GUIDE: HOW TO SELECT AND APPLY ACCOUNTING POLICIES?

The Guide presents a three-step process with accompanying illustrative examples to help companies determine their accounting policies when preparing IFRS financial statements.

For more information, please visit <https://www.ifrs.org/news-and-events/2019/11/guide-how-to-select-and-apply-accounting-policies/>

ASC ISSUES AMENDMENTS TO FINANCIAL INSTRUMENTS STANDARDS IN RESPONSE TO IBOR REFORM

The amendments modify specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by IBOR reform, and are effective for annual reporting periods beginning on or after 1 January 2020.

For more information, please visit <https://www.asc.gov.sg/current-news>

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BY FELIX WONG AND ANGELINA TAN

BY THE POWER OF THE COMPTROLLER

Interplay Of The Comptroller's Office And Tax Provisions

THE INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS) IS THE MAIN TAX ADMINISTRATOR in Singapore and handles income tax, goods and services tax (GST), property tax and stamp duty, among others.

IRAS is headed by the Commissioner of Inland Revenue, who wears many hats. Besides acting



Accredited Tax Advisor (Income Tax & GST) Ong Sim Ho, Director, Drew & Napier LLC, shared his insights on the legal nature of the Comptroller's office and powers

as IRAS' Chief Executive Officer, the Commissioner also concurrently holds the titles of the Comptroller of Income Tax (CIT), Comptroller of GST, Comptroller of Property Tax, Commissioner of Stamp Duties (CSD) and Commissioner of Betting Duties.

"Each title of the Commissioner of Inland Revenue is a separate statutory office," explained Accredited Tax Advisor (Income Tax & GST) Ong Sim Ho, Director, Drew & Napier LLC, at a *Tax Excellence Decoded* session organised by the Singapore Institute of Accredited Tax Professionals (SIATP). "The Comptroller is a 'creature of statute', and may only do things allowed in terms of its empowering legislation, being the respective tax Acts. The powers of the CIT, for example, are derived from the Income Tax Act (ITA)."

"Each title of the Commissioner of Inland Revenue is a separate statutory office. The Comptroller is a 'creature of statute', and may only do things allowed in terms of its empowering legislation, being the respective tax Acts. The powers of the CIT, for example, are derived from the Income Tax Act (ITA)."



COMPTROLLER'S ROLE AND IMPLIED POWERS What is the Comptroller's Statutory Role?

The Comptroller is responsible for carrying out the provisions of the Act and for the collection of taxes. The specific duties and powers of the Comptroller are set out in the respective tax Acts.

Using the ITA as an example, Section 3(1) provides that "for the due administration of this Act, the Minister may, by notification in the Gazette, appoint a Comptroller of Income Tax..." Section 4(3) goes on to set out the Comptroller's responsibility, such that "the Comptroller shall be responsible for the assessment and collection of [income] tax (emphasis added) and shall pay all amounts collected in respect thereof into the Consolidated Fund".

The Comptroller's responsibility to assess and collect tax is illustrated in the English case of *R v Inland Revenue Commissioners (IRC), ex parte Preston* [1985] (Preston Case). In the Preston Case, a tax investigator of the Inland Revenue informed the taxpayer that he would not raise further queries if the taxpayer withdrew certain claims for interest relief and capital loss. The taxpayer did so. Subsequently, upon receiving new information, the Commissioners invoked a specific anti-avoidance provision to raise new queries and to issue an additional assessment to counteract a tax advantage.

The issue before the Court was whether the Commissioners were entitled to exercise and perform their statutory powers and duties to counteract a tax advantage, despite the fact that its investigator had initially informed that no further queries would be raised if the taxpayer withdrew his claims.

The House of Lords held that there was no remedy against the Commissioners for breach of contract or breach of representation. The

Commissioners did not have the power to relinquish themselves from their statutory duty, and were bound to invoke the specific anti-avoidance provision to counteract the tax advantage.

The House of Lords also remarked that while “a taxpayer cannot complain of unfairness, merely because the Commissioners decide to perform their statutory duties...”, if the conduct of the Commissioners is so unfair in an appropriate case, the Courts can intervene to direct the Commissioners to abstain from performing their statutory duties or from exercising their statutory powers.

In the Preston Case, the Commissioners were obliged to perform their statutory duties. Applying this concept in Singapore, it would mean that the Comptroller cannot, by contract or promise given in good faith by himself, decide against performing his statutory duty where mandated by the tax Act.

Does the Comptroller’s Statutory Role Imply a Wide Managerial Discretion?

In the English case of IRC v National Federation of Self-Employed and Small Business Ltd (NFSE) [1982] (Self-employed Case), the Commissioners had granted amnesty to some casual workers who had evaded taxes. The NFSE, a federation representing other taxpayers, claimed that this was unfair as no such amnesty was granted to its members, and applied for a mandatory order to compel the Commissioners to collect tax from the casual workers.

The issue before the Court was whether the Commissioners had acted unlawfully in not pursuing the claim for the full amount of tax due and had acted beyond their powers in granting amnesty. It was held that the Commissioners had “acted in the bona fide exercise of the wide managerial discretion conferred on them by statute”, and NFSE’s claim was dismissed.

The scope of the Inland Revenue’s management power was described in this case as a “wide managerial discretion” (emphasis added) as to the best means of obtaining for the (revenue) from the taxes committed to his charge, the highest net return that is practicable having regard to the staff available and the cost of collection”.

The Comptroller has the power to issue guidelines as assistance to the administration of the Act. However, guidelines and practices of tax authorities are not law.



Based on the Self-employed Case, it would appear that the Comptroller generally has the discretion in administering the Act for the “protection of revenue”, and is entitled to take an overall view to obtain for the revenue the highest return. It may, however, be difficult to define the scope of discretion or ascertain whether the discretion has been exercised in good faith in practice.

Does the Comptroller have the Implied Power to Issue Guidance?

The Comptroller has the power to issue guidelines as assistance to the administration of the Act. However, guidelines and practices of tax authorities are not law, as clearly highlighted by the Court in CIT v GE Pacific Pte Ltd [1994] – “That this has been the practice of the Comptroller does not in any way illuminate the question of whether this should be the practice of the Comptroller. Practice is not law.”

COMPTROLLER’S EXPRESS POWERS

The Comptroller has four main types of express powers, namely, discretionary powers, powers of audit and investigation, powers of prosecution and composition, and powers of enforcement.

Discretionary Powers

The Comptroller’s discretionary powers come from taxing provisions which explicitly confer a discretion on the Comptroller.

For example, Section 14(1)(a)(i) of the ITA explicitly states that “... there shall be deducted... (i) any sum payable by way of interest... upon any money borrowed by that person where the Comptroller is satisfied that such sum is payable

on capital employed in acquiring the income”. Section 33 of the ITA gives the Comptroller the discretion to “disregard or vary the arrangement and make such adjustments as he considers appropriate”.

The Comptroller is generally required to exercise discretion in good faith and in the interest of good administration. Having said that, the Courts generally will not substitute their views as to how much discretion should be exercised.

Where the Comptroller exercises his discretionary powers and the taxpayer wishes to object, the taxpayer may seek recourse by way of an appeal or a judicial review.

Powers of Audit and Investigation

The Comptroller’s powers of audit and investigation were recently enhanced in 2018 to include the powers to arrest without warrant, conduct body searches, as well as break into and enter premises. Any person can be authorised by the Comptroller by notification in the Gazette or in writing to exercise these powers. Nevertheless, such audit and investigative powers must only be used for proper purposes.

Powers of Prosecution and Composition

The Comptroller’s powers of prosecution and composition (that is, compounding of an offence) is provided for in the respective tax Acts.

Section 101 of the ITA, for example, confers the CIT the powers of prosecution and the power to delegate composition to authorised officers. Unlike some other powers within the ITA, the powers of prosecution generally cannot be exercised by a Deputy Comptroller or Assistant Comptroller.



PHOTO: SHUTTERSTOCK

Powers of Enforcement

The Comptroller has very wide powers of enforcement. These include the discretionary powers to appoint agents for the collection of tax (such as the appointment of withholding tax agents under Section 57 of the ITA), as well as to impose travel restriction orders under Section 86(1) of the ITA.

WHO IS THE CORRECT DECISION-MAKER?

The ITA confers two main persons with duties and powers, namely, the Comptroller and the Minister for Finance. Unlike the Comptroller, the Minister for Finance is empowered mainly in the matters of policy (such as making rules for tax exemptions and incentives, and granting of remissions).

While seemingly unimportant, it is critical to identify the correct decision-maker based on the tax Act, as illustrated in Asia Development Pte Ltd (ADPL) v CSD [2018].

The taxpayer, a property developer, was granted remission from additional buyer’s stamp duty (ABSD), subject to meeting certain conditions on the completion and sale of the developed properties. The taxpayer failed to meet the conditions and applied for extensions of time. The application was rejected by the IRAS in the name of the CSD.

The taxpayer filed an appeal by way of case stated under the Stamp Duties Act. The CSD declined to state a case on the basis that the decision was made by the Minister for Finance and that the taxpayer should proceed by way of a judicial review application against the Minister for Finance. On the basis that it was unclear from documentary evidence whether it was the Minister for Finance or the Commissioner who made the decision to refuse the extension of time, the Court allowed the taxpayer’s appeal to proceed.

In dealing with tax controversy, businesses should consider who would be the appropriate person to deal with. Where the legal position is unclear or where the tax implication is significant, businesses should also consider whether it is worthwhile to obtain a legal opinion or an advance ruling. ISCA

Felix Wong is Head of Tax, and Angelina Tan is Technical Specialist, SIATP.



BY LEE KIN WAI

DON'S COLUMN

USAGE OF DERIVATIVES IN FOREIGN EXCHANGE RISK MANAGEMENT AND FIRM VALUATION

Reduce Cost Of Capital, Increase Economic Profitability

FIRMS WITH SUBSTANTIAL FOREIGN CURRENCY TRANSACTIONS expose themselves to the risk of loss in net income and cash flows arising from adverse changes in the foreign currency exchange rate. To mitigate this risk, firms often hedge their foreign currency exposure using derivative instruments such as forward contracts and currency options.

This paper examines the usage of financial derivatives by listed firms in Asia as a corporate risk management strategy to mitigate their foreign exchange risk exposure. First, we examine the firm-level characteristics that affect the intensity of derivatives usage (that is, what are key drivers that lead firms to use more financial derivatives to hedge their foreign exchange risk?). Second, we examine whether derivatives usage and hedging affect firm valuation.

The sample consists of 520 listed industrial firms in Hong Kong, Indonesia, Korea, Philippines, Taiwan, Thailand, Malaysia and Singapore for the period 2007 to 2014. The sample comprises firms in various industries such as electronics and electrical equipment, shipping, petrochemicals, manufacturing industrial products, transportation, consumer products and business services. We classify firms as users or non-users of derivatives based on their annual report disclosures on corporate financial risk management and derivatives usage. On average, for the whole sample, 43%

of the firms hedge foreign exchange risk. In general, the firms typically use forward contracts, futures contracts, currency swaps and options to manage foreign exchange risk.

DETERMINANTS OF DERIVATIVES USAGE

First, we find that derivative users tend to have higher foreign exchange exposure such as high foreign sales as a percentage of total sales and foreign assets as a percentage of total assets. For example, derivative users have about 27% to 64% of their total sales from foreign operations. Similarly, derivative users also have a substantial portion of their total assets (ranging from 11% to 73%) located in various countries outside their home country. Sensitivity analysis indicates that a 10% adverse movement in foreign exchange rates can potentially reduce the net profit of these firms by 4% to 18% if these firms do not hedge their foreign exchange risk exposures.

Second, we find that firms that use derivatives (users) are significantly larger in size than non-users. This result suggests that larger firms, with higher organisational complexity (such as many business segments) and higher geographic spread (such as operating in many countries) have greater exposure to financial risk. Furthermore, large firms are more likely to have formal financial risk management programmes that

define risk management objectives, risk tolerance, specific policies to mitigate financial risk and responsibilities to monitor the risk exposures. For example, some firms disclose that they hedge about 40% to 65% of their foreign currency exposures under their financial risk management programmes.

Third, we find that the intensity of derivatives usage is positively associated with operating profitability. This result is intuitive as profitable firms are more likely to have greater resources to implement financial risk management programmes.

Fourth, our results indicate that hedging intensity is positively associated with the firm's growth options and investment opportunities. Using various measures of growth such as sales growth, the ratio of capital expenditure to sales and the proportion of intangible assets to total assets, we find that derivative users usually have more investment opportunities. This result is consistent with the notion that by reducing the variation of cash flow realisations, hedging facilitates high-growth firms to maintain sufficient funds to finance profitable future investments. In addition, we also find that the beneficial role of financial hedging to lower cash flow variability is especially important for those firms with weak short-term liquidity.

Fifth, we find that derivative users have higher debt-to-assets ratio than non-users. In general, the probability of financial distress increases with corporate debt (leverage). Thus, firms with higher expected costs of financial distress are more likely to use derivatives for hedging purposes. In these cases, hedging helps the firms (borrowers) to reduce the likelihood of violating debt covenants in their loan contracts with their lenders. Collectively, our results suggest that firms are more likely to hedge in response to financial distress costs, growth options, investment opportunities, and future cash flow needs.

Finally, country-level institutional features also affect derivatives usage. In general, we find a positive association between hedging with financial derivatives and country-level investors protection.



The intensity of derivatives usage is higher in countries with stronger enforcement of shareholder rights and stronger protection of creditor rights.

DERIVATIVES USAGE AND FIRM VALUATION

An important issue is whether derivatives usage affect firm valuation. Using market-to-book equity as a measure of firm valuation, we provide evidence that firm valuation is positively associated with the intensity of derivatives usage. In terms of economic significance, we find that derivatives usage increases shareholder value, by between US\$21 million and US\$70 million, representing about 2% to 5% of equity valuation. Hence, derivatives usage has substantial economic effect on shareholder value. Moreover, we find that the positive association between firm valuation and derivatives usage is stronger in firms with stronger corporate governance structures such as those with higher proportion of independent directors on their Board, firms that separate their CEO and Chairman positions, firms with Boards with stronger financial expertise and firms that have larger proportion of equity held by institutional shareholders. In well-governed firms, managers are more effectively monitored and this increases the likelihood of usage of derivatives for hedging purposes, instead of value-destroying speculative activities. Thus, firms with stronger corporate governance structures benefit more from risk management with derivatives.

During 2008–2009 Global Financial Crisis, many countries experienced economic downturn. The global equity market declined sharply in this period. The economic recession and global



financial crisis led to an increase in corporate bankruptcies and a decrease in new and seasoned equity issuances. Thus, if the main objective of financial risk management is to reduce the probability of financial distress, then firms that employ derivatives to manage risk are likely to have experienced significant benefits during this period of economic downturn.

In general, relative to non-crisis years, firm valuation is lower in the years of economic downturn. However, we find that the negative association between firm valuation and economic downturn is mitigated by derivative usage. In other words, relative to non-users of derivatives, firms that use derivatives have higher valuation during the period of economic

downturn. Furthermore, among the users of financial derivatives, the sub-sample of firms with stronger corporate governance structures exhibited higher firm valuation during the years of economic downturn. In addition, derivative users report higher operating profitability, higher cash flow from operations and higher sales per dollar of assets than non-users during the 2008–2009 Global Financial Crisis.

One of the channels in which derivatives can reduce financial distress cost is firm risk reduction. Using various measures for firm risk, we provide evidence on the effectiveness of derivatives to reduce firm risk. We find that derivatives usage is negatively associated with cash flow volatility, earnings volatility and stock return risk. In other words, derivative users have less volatile cash flow, less volatile earnings and less volatile stock returns than non-users. Thus, smoothness and predictability of cash flows and earnings are important benefits that are experienced by firms that hedge their foreign exchange exposure with derivatives. More generally, these results are consistent with the notion that hedging with financial derivatives reduces a firm's cost of capital and thus increases the economic profitability of the firm. ISCA

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... by reducing the variation of cash flow realisations, hedging facilitates high-growth firms to maintain sufficient funds to finance profitable future investments. In addition, we also find that the beneficial role of financial hedging to lower cash flow variability is especially important for those firms with weak short-term liquidity.



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