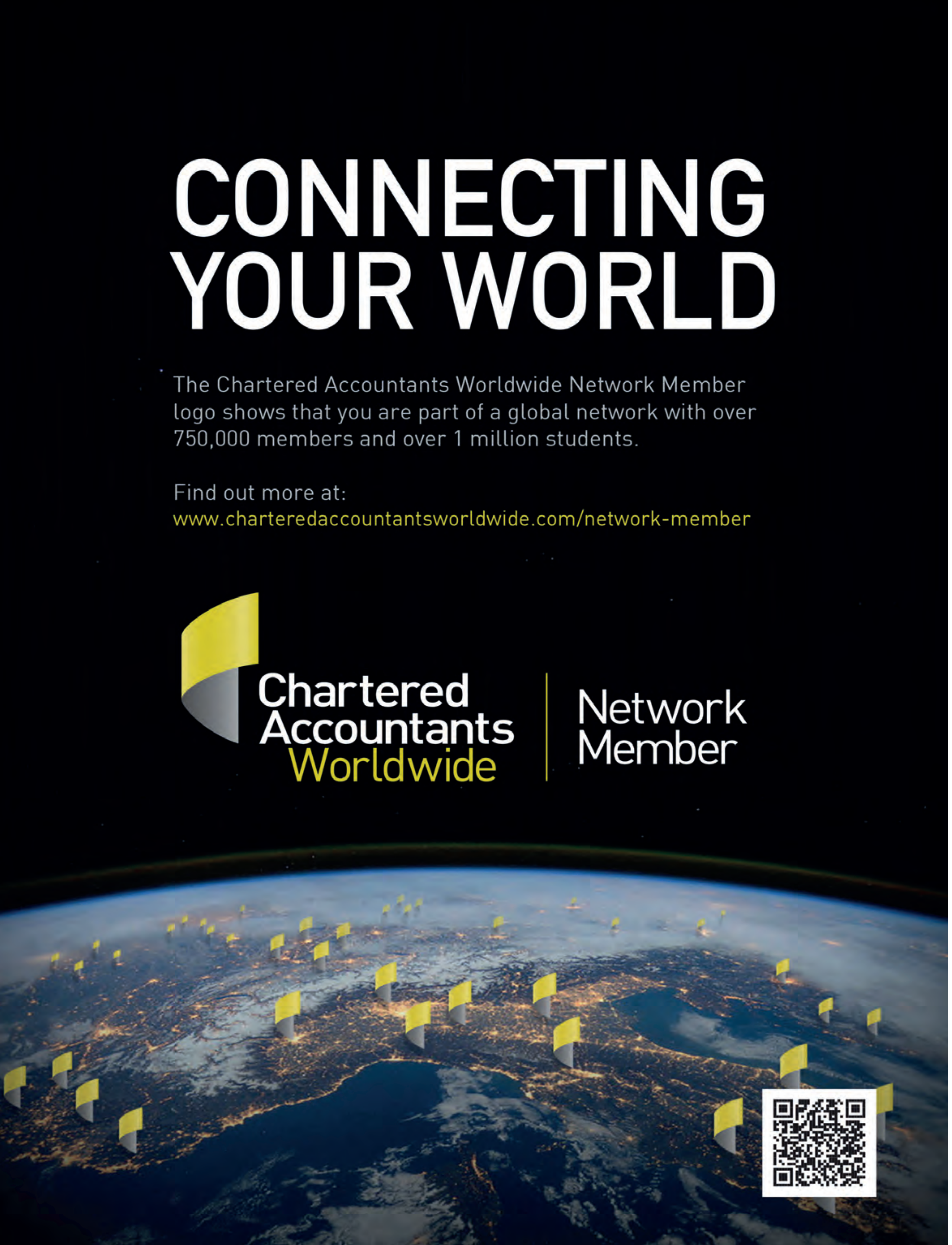
IS Chartered Accountant Journal

MARCH 2021

focus
BUDGET 2021
Building A Stronger, Resilient Singapore

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS



Dear members,

AS THE SINGAPORE ECONOMY STRUGGLES TO GET BACK ON ITS FEET AFTER THE DEVASTATION WREAKED BY COVID-19, Budget 2021 was the subject of much anticipation and interest to businesses, workers and the wider community. Like many of you, I tuned in to Deputy Prime Minister (DPM) and Minister for Finance Heng Swee Keat as he delivered the Budget Statement in Parliament on February 16.

Three days after the Budget Statement was unveiled, the Institute convened the ISCA Post-Budget Focus Group Discussion to solicit feedback from trade associations and chambers, and accountancy firms on the Budget. The representatives acknowledged that overall, Budget 2021 achieved a good balance between providing immediate and extended relief to sectors that continue to be hard hit by the effects of the pandemic, and introducing measures to drive Singapore's future growth. They applauded the extension of several existing schemes such as the SGUnited Jobs and Skills Package, and the introduction of new digitalisation-related initiatives such as CTO-as-a-Service, among others.

It was a budget that reflected detail, dedication and determination – detail, because initiatives were tailored, where possible, to deliver help to sectors that needed it most, in addition to addressing the broader macro issues. Dedication and determination because Singapore has only a "narrow window of opportunity to transform our economy and forge ahead" – a point emphasised by DPM Heng in his Budget Debate Round-Up Speech – which underlines the importance and urgency of getting things right. That Budget 2021 considers Singapore's longer-term development and sustainability, beyond the present focus on recovery, is evidence of the government's strategy and resolve. The cover story, "Budget 2021", brings you the key thrusts of the Budget and what the representatives said at the focus group session.

As DPM Heng said in his Round-Up Speech, "Singapore did not happen by chance. Whether we continue to do well cannot be left to chance." ISCA, too, will not leave things to chance. Doing our part as the national accountancy body and members' organisation, the Institute has launched an $8-million ISCA Support Fund designed to support businesses, sustain livelihoods of accountancy professionals and safeguard professional credentials. This is a continuation of our efforts to support the accountancy profession amid the Covid-19 pandemic. Through the Support Fund, members who are facing financial hardship due to loss of job or income as a result of the pandemic can apply for a waiver of membership fees; members granted the waiver will also receive 20 complimentary Continuing Professional Education (CPE) hours of training, enabling them to acquire new skills to enhance employability. All members will get a $100 CPE voucher, to offset CPE course fees. For small and medium-sized practices (SMPs), the Support Fund will be dedicated towards accelerating digital transformation and upskilling efforts, as well as provide working capital for SMPs affected by the pandemic. Flip the pages for more information on the ISCA Support Fund, which was launched in February. SMPs can also sign up for an upcoming information-sharing session on March 30.

Planning, dedication and determination are the common attributes of the featured members in this month's Member Profile column. To mark International Women's Day which falls annually on March 8, we interviewed three female members who are in varying stages of their careers, and whose job roles are very different. These are empowered women who are not afraid to step up, seize the opportunities available and pursue their professional aspirations. I hope our female members are inspired by their stories of focus and fortitude. In time, perhaps more female members will step forward to become part of the larger global narrative of women crafting a new chapter of *her*story (history written from the point of view of women) in different areas of life.

The next ISCA Annual General Meeting (AGM) will be held virtually on Saturday, April 24, at 11 am. Do sign up for the AGM when the online registration portal opens on April 1. I would like to take this opportunity to thank my fellow Council members and our committee members for their hard work and support, as well as for being so generous with their time even though they have their own jobs and businesses to look after.

Building a better future requires strategy, commitment and purpose. Let's work together to thrive in the new normal.

Kon Yin Tong
FCA (Singapore)
president@isca.org.sg

Detail, Dedication, Determination; Building A Better Future

contents

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focus

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viewpoint

technical excellence

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MTI Maintains 2021 GDP Growth Forecast At Between 4% And 6%

FOR 2021, the Ministry of Trade and Industry (MTI) has maintained the GDP growth forecast at between 4% and 6%.

MTI unveiled the figures on February 15, when it announced that the Singapore economy had contracted by 5.4% in 2020, a reversal from the 1.3% growth recorded in 2019. The manufacturing sector expanded by 7.3%, a turnaround from the 1.5% contraction in 2019. The construction sector shrank by 35.9%, a sharp retraction from the 1.6% growth posted in 2019. Services-producing industries contracted by 6.9%, reversing the 2% growth recorded in 2019.

PHOTO SHUTTERSTOCK

Outlook for 2021

Since the last Economic Survey of Singapore in November 2020, there has been further progress in Covid-19 vaccine development and deployment. Although the speed of vaccine deployment varies, advanced economies like the US and Eurozone are likely to reach population immunity by the second half of this year, which should in turn spur their economic recoveries.

On the other hand, the growth prospects for regional economies such as Malaysia and Indonesia have weakened due to the recent resurgence in infections, which has necessitated the re-imposition of lockdowns and restrictions. On balance, as the positive developments in the key external economies broadly offset the negative ones, Singapore's external demand outlook remains largely similar compared to three months ago.

In particular, the US economy is projected to rebound this year on the back of a recovery in personal consumption expenditure, which is in turn expected to be bolstered by the injection of additional fiscal stimulus amid an improvement in the health situation and the progressive rollout of vaccines. In the Eurozone, the recent surge in Covid-19 cases and resulting public health measures to contain the outbreak are likely to pose a drag on domestic demand and hence, its economic recovery. Nonetheless, the pace of recovery is expected to pick up over the course of the year as the deployment of vaccines becomes more widespread.

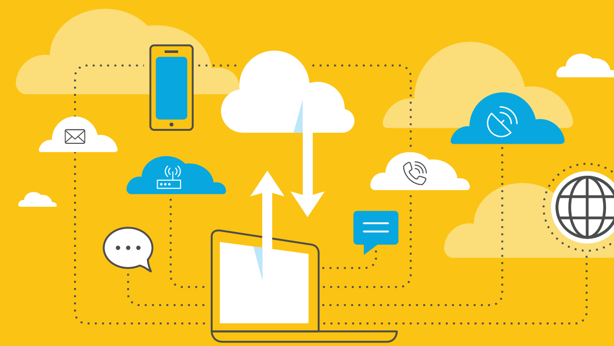
In Asia, China's economy is projected to continue to strengthen this year, driven by healthy growth in investment, consumption and exports. Meanwhile, the key ASEAN economies are expected to post a recovery this year, supported by a pickup in external demand, even though domestic demand is likely to be dampened by the recent wave of Covid-19 cases and associated measures taken to contain the virus.

Uncertainties and risks in the global economy remain. First, there continues to be significant uncertainty surrounding the course of the pandemic and the trajectory of global economic recovery. Second, the protracted nature of the economic recovery in many countries could lead to financial system stresses, which could in turn trigger a tightening of financial conditions and adversely affect the global economic recovery. Excessive private-sector indebtedness arising from loose monetary conditions also remains a concern. Third, continued geopolitical uncertainty involving the major economies could weigh on global trade and the global economic recovery.

Domestically, Singapore's Covid-19 situation remains under control and our vaccination programme is also underway. However, the pace of border reopening has slowed amid the global surge in Covid-19 cases and the emergence of more contagious strains of the virus.

Against this external and domestic backdrop, the Singapore economy is expected to see a gradual recovery over the course of the year, although the outlook remains uneven across sectors.

KEY ADVANTAGES OF LEVERAGING CLOUD ACCOUNTING



Companies worldwide are increasingly embracing cloud accounting — accessing accounting applications hosted by service providers on remote servers over the internet — because it offers the key advantages of reducing costs, supporting business continuity, and improving efficiency, data security, financial management and collaboration.

REDUCED COSTS & GREATER EFFICIENCY

Cloud accounting involves the use of add-on apps that automate and streamline business processes, facilitating management of manpower costs as well as improving efficiency and performance. For instance, it reduces the time required to process staff salaries and payments to suppliers, and minimises the risk of payment errors.

BETTER DATA SECURITY & BUSINESS CONTINUITY

On-premise data backup and updating traditional accounting software can be costly, time-consuming and complicated. With cloud accounting, data backup and software updates are automated. This reduces IT support bills, and ensures that financial data remains secure and business owners always have the latest version of the cloud software. It also supports business continuity when unforeseen disasters such as power outages, floods or other natural calamities strike.

BETTER FINANCIAL MANAGEMENT

Cloud-based accounting systems have the ability to provide business owners with real-time information on their finances. A professional cloud accounting advisor can also help business owners to combine key financial and non-financial data, creating meaningful information for them to better manage their operations and cash flow. Financial and operational information will not be meaningful unless they are current, relevant and presented in a manner that is easily understood.

ENHANCE COLLABORATION

Sharing financial information with your business partners, accountants, managers and other staff based in different locations can be challenging with traditional accounting systems. Cloud-based software makes accessing such data and documents convenient. Information is stored and accessible at a single source through the web using desktops, laptops and mobile devices, making collaboration with others hassle-free. It also allows the provision of accounting advisory services to business owners in real time, enhancing their experience.

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AccountServe helps business owners to implement cloud accounting solutions that meet their unique requirements. Our experience in serving businesses ranging from start-ups to large enterprises gives us an understanding of an organisation's growth needs and pains at different stages. We help businesses to foresee challenges and avoid pitfalls for growth.

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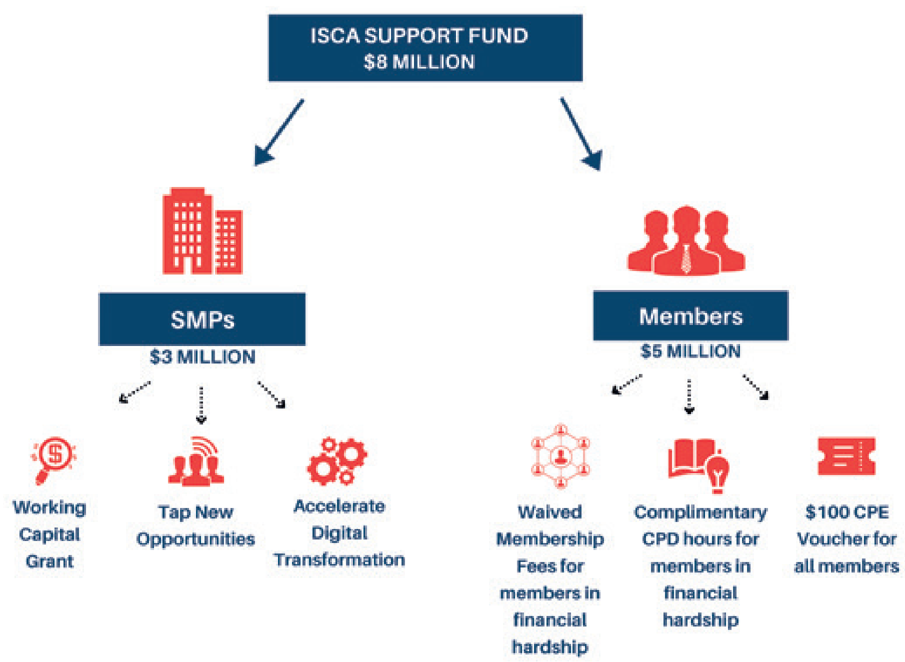
ISCA Launches $8-Million Support Fund To Help SMPs With Business Continuity, Catalyse Digital Transformation And Upskill Accountancy Profession

ISCA LAUNCHED AN $8-MILLION SUPPORT FUND ON FEBRUARY 8 TO SUPPORT BUSINESSES, sustain livelihoods of accountancy professionals and safeguard professional credentials (Figure 1). This is a continuation of ISCA's efforts to support the accountancy profession amid the Covid-19 pandemic. This support scheme is a unique and holistic set of initiatives aimed at helping small and medium-sized practices (SMPs) and accountancy professionals make deeper and more strategic shifts so that the profession can emerge stronger and seize the opportunities arising in the new normal.

With the support of Enterprise Singapore (ESG)'s SG Together Enhancing Enterprise Resilience (STEER) programme, $3 million will go towards accelerating the digital transformation and upskilling efforts of SMPs, as well as provide working capital to SMPs affected by the pandemic. Through the STEER programme, ESG matches $1 for every $2 contributed by ISCA to help strengthen and transform businesses.

PHOTO SHUTTERSTOCK

Figure 1



The remaining $5 million of the Support Fund will go towards supporting ISCA members, of which $2 million will aid members who are facing financial difficulties. The other $3 million will be used for upskilling and reskilling members to equip them for the post-Covid-19 environment.

Support for ISCA Members

Assistance package for members in financial hardship

Members who are facing financial hardship due to loss of job or income as a result of the Covid-19 pandemic can apply for a waiver of 2021 membership fees under the ISCA Support Fund. Members granted waiver of membership fees will also receive 20 complimentary CPE hours of training, enabling them to acquire new skills to enhance employability. A list of qualifying virtual webinars and e-learning courses are available for these members.

Eligible members can login to ISCA eServices Portal to apply.

All ISCA members

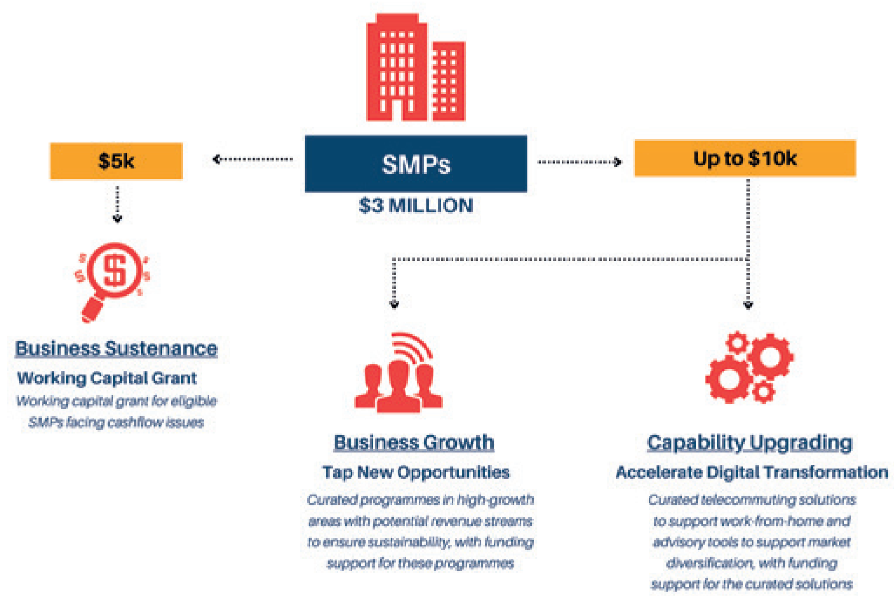
ISCA has been emphasising the importance of continuous training and upskilling. In fact, it's even more critical now to enable accountancy professionals to be in a strong position to seize opportunities when the situation changes for the better. To help our members with professional development and training needs, a $100 CPE voucher is given to all members, to be used to offset the costs of CPE courses.

Members can login to ISCA eServices Portal to access their unique CPE voucher code.

Support for SMPs

The ISCA Support Fund for SMPs goes towards accelerating the digital transformation and upskilling efforts of SMPs, as well as providing working capital to SMPs affected by the pandemic (Figure 2). The Support Fund will support SMPs in the three pillars of business sustenance, business growth and capability upgrading.

Figure 2



(1) Business Sustenance

Working capital grant

With cashflow being a priority for businesses in the post-Covid-19 operating environment, the Support Fund will provide a working capital grant of $5,000 each for SMPs whose businesses are affected by the Covid-19 pandemic and are facing cashflow issues.

(2) Business Growth

Tap new opportunities

To support SMPs in diversifying their service offerings, ISCA has identified potential high-growth areas which SMPs can enter into, such as business compliance and advisory. To address the skills gap in the SMP sector, the Institute is working with trainers to curate relevant programmes and rolling out certification courses in these high-growth areas. SMPs can tap these new business opportunities and generate new revenue streams to ensure sustainability. Eligible SMPs can receive funding to upskill and reskill their staff in these high-growth areas.

(3) Capability Upgrading

Accelerate digital transformation

Complementing existing government schemes to accelerate digitalisation, the ISCA Support Fund will support SMPs in building their digital capabilities by offsetting the cost of digital solutions specially curated for SMPs. These solutions, such as the digital signing and telecommuting tools, will enable SMPs to grow their operations without increasing the size of their office premises and corresponding rental costs, which form the bulk of the SMPs' operating costs. The digital solutions also enable SMPs to work remotely and boost productivity. In addition, tools such as digital analytics software enable SMPs to offer new value-added services in the form of data analysis and data-driven business recommendations.

Eligible SMPs can receive up to $10,000 each to fund their Business Growth and Capability Upgrading initiatives.

For advisory on digital tools and their implementation, SMPs can approach the online SMP Centre, which is run by ISCA to support SMPs' growth and transformation.

Upcoming Information Sharing Session and Tech Fairs (for SMPs)

Eligible SMPs can register for the virtual Information Sharing Session on March 30, 4pm, via the SMP Centre to find out more about the ISCA Support Fund, the curated programmes and digital solutions available, and the application process.

SMPs can interact with tech vendors to understand more about the curated solutions at the tech fairs in April 2021.

For more information/enquiries:

- **Access the ISCA Support Fund webpage under our Covid-19 Centre to obtain up-to-date information.**
- **For enquiries on support for individual members, write to membership@isca.org.sg.**
- **For enquiries on support for SMPs, write to supportfund@isca.org.sg.**

Volunteer Your Professional Expertise To Assist Charities In Accounting And Financial Management

ISCA MEMBERS NOW HAVE THE OPPORTUNITY TO GIVE BACK TO SOCIETY by utilising their skills and expertise as accountancy professionals. With ISCA becoming one of four new shared services partners to the charity sector, the accountancy profession is assisting charity organisations in the areas of accounting and financial management.

As part of the partnership, ISCA members will provide guidance and conduct training sessions on finance and the relevant accounting standards to charities. For instance, ISCA members can serve as volunteer advisors to charities that need advice on the preparation of financial statements, statutory reporting and GST reporting.

The other new shared services partners are Law Society Pro Bono Services, Institute of Internal Auditors Singapore, and Shared Services for Charities. The organisations will help to strengthen charities' regulatory compliance and effectiveness, at low or no cost.

This was announced by Edwin Tong, Minister for Culture, Community and Youth (MCCY) and Second Minister for Law, at the Charity Governance Conference last year. The conference was held virtually from 23 to 24 September 2020. In all, there are now 11 organisations which are helping charities to access IT solutions, recruit talent and file annual reports and financial statements.

ISCA President Kon Yin Tong said, "As the national accountancy body, ISCA is pleased to partner with MCCY in having our members provide training sessions and guidance on finance and accounting to charities in Singapore. This is also an opportunity for our members to leverage their skills, expertise and experience to serve and give back to society. With this partnership, the Institute and our members can play a part in supporting charities to develop their finance and accounting expertise as they continue to serve their communities."

The Institute is working with MCCY on the details of the partnership. ISCA members who wish to serve as volunteers for this initiative can email volunteer@iscacares.org.sg to register your interest, and we will keep you posted when the volunteer programme is ready to be rolled out.

Ⓐ Minister for Culture, Community and Youth and Second Minister for Law Edwin Tong (second from left) witnessed the MOU signing with representatives from two of the four new shared services partners; with him are (from left) ISCA President Kon Yin Tong, then-Commissioner of Charities Dr Ang Hak Seng, and Law Society Pro Bono Services Deputy Chairman Kelvin Wong

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ISCA And CPIB Sign MOU To Cooperate On Expanding Talent Pool Of Qualified Financial Forensic Professionals

Present at the MOU Signing Ceremony were (from left) ISCA CEO Lee Fook Chiew, ISCA President Kon Yin Tong, CPIB Director Denis Tang, and CPIB Director (Investigations) Vincent Lim

TO ENABLE MEMBERS TO ACHIEVE THEIR PROFESSIONAL ASPIRATIONS, ISCA has been developing specialisation pathways since 2017 to facilitate professional accountants in branching out to high-value job frontiers using accountancy training as the core competency. The ISCA Financial Forensic Accounting (FFA) Qualification leads to the conferment of the ISCA Financial Forensic Professional (FFP) credential. As a global financial centre, Singapore must be especially vigilant against white-collar crimes, including corruption, money laundering, tax evasion, fraud and insider trading.

On February 5, ISCA signed a Memorandum of Understanding (MOU) with the Corrupt Practices Investigation Bureau (CPIB). The MOU is the culmination of a series of discussions between ISCA and CPIB to deepen the talent pipeline for qualified financial forensic professionals. Under the MOU, ISCA will partner with CPIB to explore a pathway for eligible CPIB officers to become ISCA members and be conferred the ISCA FFP credential. ISCA and CPIB will also provide support for CPIB officers who have completed equivalent courses in their pursuance of the ISCA FFA Qualification.

As part of the partnership, ISCA will work with CPIB on providing relevant professional development programmes and knowledge-sharing platforms, including customising training programmes for CPIB officers and having CPIB officers as trainers for relevant courses. ISCA will also partner CPIB in our outreach efforts in anti-corruption, corporate governance and professional ethics, by supporting each other's programmes and events in these areas.

> "CPIB plays a crucial role in combating corruption and upholding Singapore's reputation as a global financial centre and business hub. We are pleased and honoured to partner with CPIB in boosting the skill sets and qualifications of CPIB officers, thus fostering the talent pipeline for qualified financial forensic professionals. We look forward to a fruitful partnership with CPIB."
>
> **KON YIN TONG**, President, ISCA

> "ISCA has a long history as the national accountancy body in Singapore and is rooted in solid foundation, sound expertise and service to the nation. ISCA and CPIB are two giants who have come together to forge a strategic partnership which serves to build on the synergy between the two organisations and further develop our capabilities especially in the area of financial forensics for CPIB officers. The collaboration will be instrumental in achieving our shared vision and common objectives."
>
> (extract from CPIB Director **Denis Tang**'s Opening Remarks during the signing of the MOU, February 5)

SPECIALISATION PATHWAY TO ISCA FFP

Financial Forensics was identified as a new career track in the Skills Framework for Accountancy which was recently refreshed in 2020. The ISCA FFP credential provides recognition for financial forensic professionals and attests to their skills and experiences in financial forensics. For more information on ISCA FFP, please contact us at qualifications@isca.org.sg or 6597-5533.

MARK YOUR CALENDAR

17 MAR

FRS110, FRS111, FRS112 & FRS113: Framework on Consolidated Financial Statements and Fair Value Measurement (Live Webinar)

The seminar provides guidance on the key changes to the framework on preparation of consolidated financial statements that will be effective from year 2014. In essence, these changes affect the consolidation of subsidiaries, the accounting for investment in associates and joint ventures and the disclosure of interests in other entities.

23 MAR

Ethical Dilemmas in Business and Finance (Live Webinar)

Learn to explore issues related to ethical dilemmas in the fields of business and finance.

24 MAR

Coaching for Performance Improvement

Upon completion of this workshop, participants will:

- Improve people management skills
- Handle difficult staff at work
- Carry out systematic performance management and coaching
- Discuss performance strengths, deficiencies and areas to improve with staff
- Guide subordinates towards improved work performance

30 & 31 MAR

Managing Cyber Forensics and Cybersecurity

This blended learning and experiential programme provides middle-senior management the understanding and application of the different aspects of cyber forensics and cybersecurity knowledge and skills.

31 MAR

Transfer Pricing: Managing the Impact of COVID-19 (Live Webinar)

Transfer Pricing (TP) is an area of tax that has been heavily impacted by COVID-19.

This course aims to discuss the impacts on TP arising from the effects of COVID-19 pandemic and provide insights into practical strategies to manage transfer pricing policies during and post COVID-19.

06 APR

Managing Risks Arising From Commercial Contracts (Live Webinar)

Learn to develop the approach to deal with review of commercial contracts. Participants will be given practical exercises and guidelines in reviewing and conducting of commercial contracts as a whole.

08 APR

Mingles – Resume Writing & Interview Tips (Live Webinar)

Want to know how to get your foot through the door of your desired organisation and ace your interviews while we continue to navigate through Covid-19? Join us for a webinar where we will be sharing some tips on resume writing, increasing your online presence through your LinkedIn profile, and how to succeed in both virtual and face-to-face interviews.

This live webinar session is jointly organized by ISCA, CAANZ and ICAEW.

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

isca breakfast talk

Advancing A Robust Integrity And Ethics Agenda

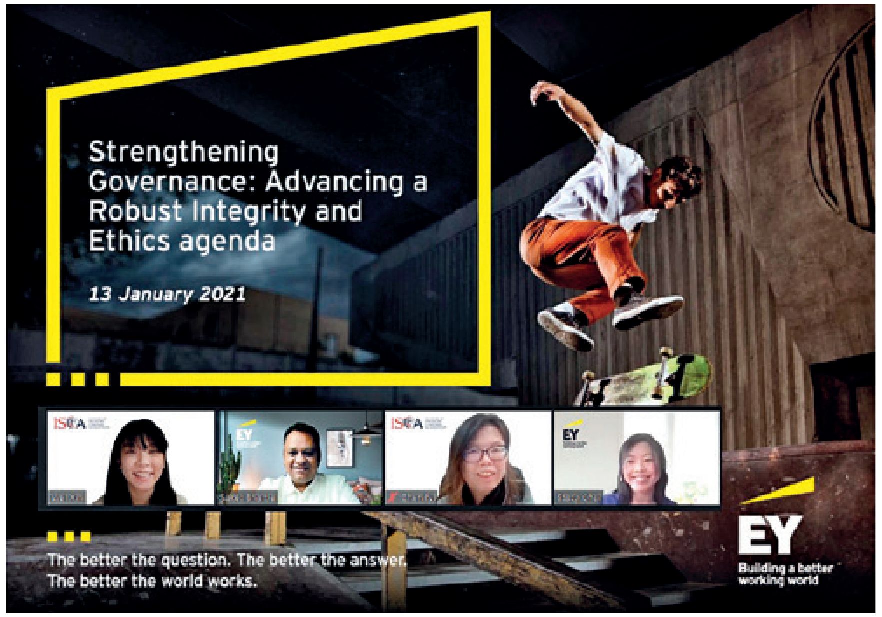
THE COVID-19 PANDEMIC HAS HEIGHTENED THE RISKS OF FRAUD, non-compliance and misconduct in the corporate environment, fuelled by economic uncertainty and instability. In such circumstances, individuals may succumb to external or internal pressure to keep businesses afloat, with the notion that the end would justify the means. Widespread uncertainty, financial difficulties, deviations from standard processes, and unemployment fears may also provide opportunities for fraudsters to use the current situation to their advantage. These issues and more were discussed at the ISCA Breakfast Talk live webinar on January 13. Themed "Strengthening Governance: Advancing a Robust Integrity and Ethics Agenda", the session was helmed by Saket Bhartia, Associate Partner, and Stacy Chai, Partner, Forensic & Integrity Services, Ernst & Young Advisory Pte. Ltd.

Making reference to the "EY Global Integrity Report 2020", Ms Chai shared that 90% of respondents believe that Covid-19 disruption poses a critical risk to ethical business conduct. Over one-third of the respondents believe that unethical behaviour will increase further. A significant number of employees remain willing to act unethically for personal financial gain; 35% of the respondents believe that there are senior managers and managers in the organisation who would sacrifice integrity for short-term financial gain.

As such, organisations are faced with an ongoing struggle to conduct business ethically amid rising operational and people challenges. As business recovery and revival plans are set in motion to overcome the pandemic's after-effects, companies will have to focus on strengthening compliance and demonstrating integrity to navigate the risks present now, next and beyond.

The integrity agenda

More so than before, implementing an integrity agenda has become vital to business success. An example of such an agenda is the EY Integrity Agenda (Figure 1), which charts a continuous journey to bridge the gap between intentions and actual behaviour. The journey involves assessing the organisation's current maturity, identifying where it wants to go, and then strengthening these elements in a journey of continuous improvement to align with the business strategy and goals. The Integrity Agenda – a four-part framework comprising governance, culture, controls, and data insights – helps companies connect their aspirations to real-world performance, with concrete questions to ask and metrics for gauging success.



ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS
ISCA Breakfast Talk - Strengthening Governance: Advancing A Robust Integrity And Ethics Agenda (Live Webinar)
14 January 2021

Figure 1 EY Integrity Agenda

Governance

Governance refers to the structure of integrity, ethics and compliance management (encompassing board, line management and corporate functions), and the policies that guide organisational behaviour.

Culture

Culture is hard to pin down to a specific trait or attribute. There is no doubt, however, that ethical breaches often result from the way a company's internal "lived values" shape decisions and influence people's actions by what they see around them. An effective integrity programme should therefore foster a culture of transparency and consultation where diverse teams consider whether their actions are in line with organisational principles.

Controls

Companies cannot rely solely on culture and good executive-level governance. They also need, and can benefit from, controls and procedures that embed integrity into the daily operations of the company. Control systems can prevent or mitigate legal and ethical violations, and the resulting criminal prosecutions, loss of market value and reputational harm. When appropriately designed, controls can provide more than just functional support for the business. They can help to integrate compliance into operations and discreetly guide users toward more effective risk management outcomes. Technology can also help to facilitate compliance alongside controls and procedures.

Data insights

Data can provide insights and analytics on emerging individual, cultural and organisational risks and track integrity performance. Advancements in computing power and the significant expansion of information available to businesses today offer the opportunity to scrutinise corporate behaviours and actions in far greater detail than ever before.

Advancing the integrity agenda

Integrity cannot be left to policy documents and checklist trainings alone. It must be embedded in the mindsets, daily choices and decisions of all staff, including the organisation's network of partners and suppliers, emphasised Mr Bhartia.

The EY Integrity Agenda, for example, provides a structure for integrity management – encompassing board, line management and corporate functions – and informs policies that guide organisational behaviour. It fosters a shared culture in which integrity is supported and promoted. It manifests in smartly designed controls and procedures that embed integrity into operations and help to deter and detect violations. It is crucial that an integrity agenda should also provide data-driven insights that can reveal risk flash points and monitor performance over time.

Taken together, this multipronged approach can help companies close the gap between intentions and reality.

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1) All articles must be the author's original work and must not have been published before in another medium of any kind.
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BY PERRINE OH, STELLA LAU AND FELIX WONG

BUDGET 2021

Building A Stronger, Resilient Singapore

DEPUTY PRIME MINISTER AND MINISTER FOR FINANCE HENG SWEE KEAT delivered the Singapore Budget 2021 Statement themed "Emerging Stronger Together" on February 16 in Parliament. Budget 2021 was developed against the backdrop of Singapore's economy gradually recovering after a challenging 2020, amid the Covid-19 pandemic and an uncertain global economy outlook.

After the significant expenditure in FY 2020 to support Singapore's flagging economy which was badly hit by Covid-19, a narrower budget deficit of $11.01 billion is projected for FY 2021 compared to an expected budget deficit of $64.90 billion for FY 2020. The projected deficit for FY 2021 would amount to 2.2% of gross domestic product and it will be Singapore's third consecutive deficit in such unprecedented times.

The government will commit $107 billion in FY 2021 to support its plans to continue tackling the immediate challenges, and build a stronger Singapore which is economically vibrant, socially cohesive, and a sustainable home for all.

Some of the key measures in Budget 2021 are as follows:

(1) Relief for recovery

To address Singapore's immediate needs, under the $11-billion Covid-19 Resilience Package, there will be a three-pronged approach to (i) safeguard the health of Singaporeans, (ii) support workers and businesses where needed, with the Jobs Support Scheme (JSS) extension, and (iii) provide more targeted support for the worst-hit sectors, such as aviation, land transport, and arts, culture and sports, to maintain capabilities and help them recover eventually.

(2) Emerging stronger with skilled workers and innovative business

With an eye on the future, the government will also dedicate resources for Singapore to emerge stronger with skilled workers and innovative businesses. Over the next three years, $24 billion will be allocated to support the growth of firms and workers, allowing them to emerge stronger from the pandemic, through three key enablers:

- To grow a vibrant business community with a strong spirit of innovation and enterprise that is deeply connected with the ASEAN region and the world, such as through piloting the Corporate Venture Launchpad, which will provide co-funding for corporates to build new ventures through prequalified venture studios;
- To catalyse a wide range of capital such as extending and enhancing the Enterprise Financing Scheme-Venture Debt programme for high-growth enterprises including startups, and
- To create opportunities and redesign jobs for workers through the additional $5.4 billion injected into a second tranche of the SGUnited Jobs and Skills Package. Of this, $5.2 billion will be allocated to the Jobs Growth Incentive (JGI), extending the hiring window by up to seven months, to end-September 2021.

(3) Strengthening our social compact

To provide families with additional support, with lower- to middle-income families receiving more, a $0.9-billion Household Support Package was introduced in Budget 2021.

(4) Building a sustainable home for all

Budget 2021 introduced several measures under the Singapore Green Plan 2030 to harness technology, promote green finance, and for the public sector to lead by example. The government will take the lead by issuing green bonds on select public infrastructure projects, and has identified up to $19 billion of public-sector green projects as a start.

PHOTOS GETTY IMAGES AND SHUTTERSTOCK

The government will commit $107 billion in FY 2021 to support its plans to continue tackling the immediate challenges, and build a stronger Singapore which is economically vibrant, socially cohesive, and a sustainable home for all.

ISCA POST-BUDGET 2021 FOCUS GROUP DISCUSSION

To gather prompt feedback on Singapore Budget 2021, ISCA convened a focus group session attended by representatives from selected trade associations and chambers (TACs) and accountancy firms. An annual event, the ISCA Post-Budget 2021 Focus Group Discussion was held on February 19, three days after the Budget Statement was delivered.

Overall, representatives lauded Budget 2021 for striking a good balance between providing immediate and extended relief to sectors that continue to be hard hit by the effects of Covid-19, and introducing measures to drive Singapore's future growth. They praised the extension of several existing schemes including the SGUnited Jobs and Skills Package, and the introduction of new digitalisation-related initiatives such as CTO-as-a-Service, among others.

In addition, representatives acknowledged the need for broad-based policies in the five Budgets delivered in 2020 to deliver emergency support to all businesses in this pandemic-stricken economy. At the current stage, they raised the importance for measures to be more targeted, to address differential needs at the sub-sector level and by company size due to varied states of recovery.

Timely execution of initiatives was another primary concern. Representatives urged government agencies, TACs and companies to work in tighter partnerships to implement measures and gather feedback for finetuning where required, in an iterative process. We highlight some of the key discussion points here.

PHOTO GETTY IMAGES

(1) Driving recovery with targeted support and protecting key sectors

With the economy expected to fully recover only in 2024, and 2021 likely to be more challenging than 2020 for some businesses, measures that will help businesses lower operating costs such as labour and rental were much needed. The representatives, especially from sectors that continue to be hard hit, applauded the extension of Covid-19 relief measures as businesses in these sectors are still struggling with revenue declines. The extension of the JSS, JGI, SGUnited Traineeships and SGUnited Mid-Career Pathways Programme by six months to a year exceeded expectations of businesses as they had anticipated any extension of these schemes to be shorter.

However, the representatives gave feedback that existing measures can be more targeted to ensure that more help is delivered to where it is needed most. For example, although the JSS scheme has been extended, its wide application across the board for an entire sector does not maximise the support which can be given to the more adversely affected sub-sectors. As a case in point, within the retail sector, there is a wide range of sub-sectors. While some sub-sectors, such as department stores and apparel and footwear, continue to struggle with business sustainability given the downstream effects from the decline in tourism and competition from online shopping platforms, others such as supermarkets, furniture and furnishing sub-sectors are performing well or are showing signs of recovery. These latter sub-sectors may not need the extended JSS support as they are doing well, while other retailers that are still adversely affected by tourism decline will find the 10% JSS support for wages insufficient. Hence, more targeted support differentiated by sub-sectors may be a better approach to helping businesses. To that end, a suggestion was for the extent of support to hard-hit businesses to be determined based on the drop in revenue for each business. This is a similar approach used in the Rental Relief Framework.

Apart from labour costs, rental is another major operating cost for businesses. Despite the rental relief scheme, some landlords remained slow in offering reliefs to tenants. There were even instances of rental increases during this period. To address this issue and help affected businesses, there was a call by the representatives for the relevant government agencies to monitor more closely and intervene when necessary. Also, government agencies such as Housing & Development Board and Jurong Town Corporation, which stand among some of the largest landlords in Singapore, can take the lead in lowering rental rates. This will help set a precedent for commercial landlords to follow.

To support Singapore's recovery, it is also important to understand the impact of disruptions to global supply chains and identify solutions to mitigate related risks. A representative highlighted one potential risk – the acquisition and relocation of companies that play a key role in a sector's value chain and are instrumental to the sector's growth. For example, Singapore's aerospace sector remains competitive regionally with the presence of key suppliers and specialised process providers (for example, heat treatment solutions providers) in Singapore that provide value-added services and enhanced capabilities within the region. There was a call for the government to protect the future of the aerospace sector by working to retain the local ownership of companies that raise the competitiveness of Singapore's aerospace sector and keep them located in Singapore. Should these companies be acquired by foreign-owned companies and leave Singapore, the regional standing of Singapore's aerospace sector will be weakened, especially if they are regional headquarters. At the same time, this can also lead to a talent drain in the sector. Hence, the government should keep an eye on developments in the aerospace sector and be ready to step in to support it, if necessary.

Closely related to this topic is the importance of building local supply capabilities and raising supply chain resilience in key sectors. Some representatives highlighted that this could help prevent situations such as a shortage of critical medical supplies including masks and personal protective equipment during a pandemic. Through the Economic Development Board or Temasek Holdings, strategic investments can be made and/or mergers and acquisitions can be facilitated to support key sectors.

(Representatives from selected trade associations and chambers and accountancy firms) raised the importance for measures to be more targeted, to address differential needs at the sub-sector level and by company size due to varied states of recovery. Timely execution of initiatives was another primary concern.

Retain major players in key supply chains of important sectors such as aerospace

Build local supply capabilities

Raise supply chain resilience in key sectors

(2) Emerging stronger with skilled workers

Similarly, tackling the manpower situation may require a more targeted approach.

i) Address talent shortage by refining foreign worker restrictions, and through digitalisation

While businesses are keen to employ locals, a representative raised the issue that there are certain types of jobs that do not appeal to local workers or Singaporeans. In this case, adjusting the foreign worker quota restrictions based on job roles rather than at the broad sector level can help businesses address manpower shortages. Within the logistics sector for example, foreign-worker quotas can be relaxed for labour-intensive warehousing, delivery and transportation roles that are less attractive to locals while enforcing stricter quotas for supervisory, managerial-level roles that appeal more to the locals.

Within the accountancy sector, small and medium-sized practices (SMPs) also face difficulties in hiring local talents due to stiff competition from larger accountancy firms. Consequently, SMPs have resorted to hiring foreign talents which make up a substantial proportion of SMPs' employee pool. In addition to being adversely affected by the tightening of the foreign worker quotas now, SMPs compete with other accountancy firms as well as firms in the commercial sector for foreign talents, and face high attrition rates. As such, some representatives highlighted that SMPs may have to outsource some of their operations overseas to countries like the Philippines, where the workers can perform just as well as our locals. Over time, as more audit-related jobs are outsourced overseas, the talent pipeline for the audit profession in Singapore may be weakened, and this may ultimately undermine the financial reporting and corporate governance standards in Singapore. Hence, the representatives called on the government to have a more targeted approach within the audit sector, as the audit profession is essential for positioning Singapore as a financial hub. To help SMPs, one suggestion was for foreign worker restrictions to be further relaxed, especially after they have met the requirements set out under the Fair Consideration Framework.

PHOTO GETTY IMAGES

Attract foreign companies with mid to deep technology to Singapore

Develop a talent base in mid to deep tech here

Similarly, the technology sector faces a talent shortage, particularly for mid to deep technology roles. In the near term, work pass restrictions, such as S Pass and Employment Pass quotas, should be reviewed for these roles to enable companies to hire foreign talents to fill the gap. This will enable cross-pollination and knowledge transfer to local workers who can be upskilled to take on these roles in the future. With the technology sector being a key growth driver of the new economy, more should be done to attract overseas mid to deep technology companies to bring their capabilities to Singapore and to develop the talent base here for the longer term. This will go a long way towards producing more high value-added jobs in Singapore.

Other than refining restrictions on foreign manpower, it was acknowledged that digitalisation can also play a part in alleviating talent shortage. Some sectors, including retail, rely heavily on foreign manpower and are facing a shortage of blue-collared foreign workers due to the closed borders resulting from the pandemic. Retailers who have hired local workers for these roles are incurring higher wage costs (possibly due to higher wage expectations from locals who know that they are in demand) which may not be sustainable once Covid-19 relief measures are stopped. The longer-term solution may be to help businesses digitalise their operations to reduce the reliance on manpower. The government should continue its efforts to educate businesses on the importance of digitalisation and raise awareness of the many digitalisation initiatives already rolled out.

ii) Enhance training support for SMEs and hard-hit sectors

Small and medium-sized enterprises (SMEs) face challenges in attracting jobseekers. Larger businesses, on the other hand, are more attractive as they can offer employees more opportunities to take on specialised roles and undergo training.

Wish list

More training support for on-the-job training, upskilling, cross-skilling

To address this issue, a representative suggested to offer employees in SMEs greater access to more training opportunities, through a common platform such as a website managed by the TACs, where relevant information can be compiled and shared. TACs can also work closely with Institutes of Higher Learning and other external training providers to ensure the training curricula offered are on par with those at larger businesses, including offering training for specialised roles. The government can look into subsidising such training programmes with cost sharing by SMEs, as a form of investment in their employees. The representative shared that this will not only help SMEs attract jobseekers, it will also lead to better staff retention in SMEs.

The extension of the Enhanced Training Support Package (ETSP) till June 2021 for selected sectors, including aerospace, was welcomed by representatives. With more time during the current economic downturn to focus on training and transformation, especially for hard-hit sectors, there was a call to further extend the ETSP to December 2021. Specifically, for the aerospace sector, the ETSP can be further broadened to include more training providers. Currently, there are only five providers covered under the scheme, which limits the types of courses available and the number of participating workers. The government may also consider support measures for on-the-job training. For example, this can be done through supporting job attachments where host companies would be provided funding support to take on trainees, who can be experienced or older workers. This can be equally essential in upskilling and cross-skilling workers. Cross-skilling will be useful for workers to learn new additional skills so that they can become multifunctional and hence be able to carry out tasks from another job role, on top of their current job role.

(3) Supporting innovative businesses and transformation

In line with the continued push towards digital transformation, it is essential to develop more indepth and targeted programmes to deliver greater impact for each sector. In this respect, it was recommended that SGTech could work more closely with other TACs to gain a deeper and more nuanced understanding of how technological solutions can be effectively applied to different sectors. For example, while existing government initiatives and programmes can remain broad based for greater reach, SGTech's partnership with TACs can help shift the focus to other aspects such as helping businesses make better use of technological resources. The representatives were of the view that such collaborations between SGTech and TACs will be very useful for businesses. The government can also help by providing funding for related initiatives resulting from these collaborations.

Helping smaller companies and transforming TACs to support more SMEs

Diversifying support measures across SMEs in a targeted way can help elevate the overall competitiveness of SMEs in Singapore, which can contribute to uplifting the whole economy. SMEs form a significant part of Singapore's economy and contribute 44% of gross domestic product.[1] In addition, according to the Singapore Department of Statistics, SMEs employ over 70% of Singapore's workforce and account for about 99.5% of enterprises here. While the current development strategy may be to invest in companies with growth potential, it is important to also help the smaller companies within the SME segment. For example, efforts can be made to build a culture of innovation and shift mindsets to raise the standing of local innovations against overseas creations.

The representatives also highlighted that SMEs would require more support in innovation and transformation as they often have a small team and lean resources. In view of the limited resources, SMEs generally do not have Chief Information Officers or Chief Technology Officers (CTOs) and may lack the knowledge to leverage schemes such as CTO-as-a-Service and the Digital Leaders Programme. Many of them are merely adopting plug-and-play solutions bought off the shelf without a digital strategy or roadmap. Currently, TACs are doing their utmost to help SMEs in their respective sectors with digitalisation. However, TACs' ability to help more businesses are constrained by limited financial and manpower resources. To enable TACs to reach out and help more SMEs, the TACs will require more support. The government can therefore consider extending existing digitalisation support schemes such as the Productivity Solutions Grant to TACs as well.

While the current development strategy may be to invest in companies with growth potential, it is important to also help the smaller companies within the SME segment. For example, efforts can be made to build a culture of innovation and shift mindsets to raise the standing of local innovations against overseas creations.

[1] Singapore Department of Statistics, 2019 data

PHOTO SHUTTERSTOCKS

(4) Driving the green agenda

Representatives were encouraged by the focus on climate change and sustainability, especially with the Singapore Green Plan 2030 and issuance of green bonds which will position Singapore as a centre for green financing.

There were several suggestions to drive the green agenda. First, the government can set measurable targets for different industries to drive climate change. These can include establishing limits on greenhouse gas emissions to lower the carbon footprint and setting targets to increase energy efficiency of buildings. Second, businesses can collaborate with renowned universities that have the established expertise and infrastructure to jumpstart green efforts, especially in commercial applications.

The government can also change mindsets. As the young are generally more environmentally aware, the government should focus on educating the wider public to make them more environmentally conscious. The government can also do more in the push for electric vehicles (EVs) by building more charging stations and addressing low-hanging fruits such as converting public transport vehicles, for example, buses and taxis, to EVs.

The extension of the JSS, JGI, SGUnited Traineeships and SGUnited Mid-Career Pathways Programme by six months to a year exceeded expectations of businesses as they had anticipated any extension of these schemes to be shorter.

Increasingly, it will be imperative for businesses to develop their environmental, social and governance (ESG) focus as part of their overall sustainability strategy. In future, ESG can be measured in an index as part of a business' performance, competitiveness, and reputation. The ESG index may also be a qualifying criterion for procurement by businesses committed to net-zero emissions, that is, businesses with a strong ESG focus may want to deal only with like-minded businesses. Businesses with a robust sustainability strategy will also be more attractive employers to the younger workforce who are more in tune with sustainability issues. To date, the emphasis on sustainability in Singapore is still lower compared to countries such as the United Kingdom, Australia and New Zealand. The government can urge businesses to step up on sustainability reporting by providing more relevant quantitative indicators. TACs can also provide training to raise awareness on sustainability, ESG measurements and effects of climate change to help companies deepen their understanding in these areas.

(5) Taxation concerns

There were mixed views on Goods and Services Tax (GST) to be levied on all imported low-value goods from January 2023. Overall, representatives at the focus group discussion felt that the extension of the 7% GST levy on imported low-value goods will not make a substantial difference. It is nevertheless a move to level the playing field between e-commerce and brick-and-mortar retailers. However, they felt that it was more effective to help retailers in their digitalisation efforts than through the imposition of GST.

Pertaining to the extension of the Loss Carry-Back Relief scheme, some representatives pointed out that this may not be enough to help businesses and expressed disappointment that the $100,000 cap under the scheme was not raised. However, others pointed out that raising the cap may weigh too much on Singapore's fiscal position.

The representatives were also concerned with the Base Erosion and Profit Shifting (BEPS) 2.0 project and its detrimental impact on local companies looking to internationalise. They suggested that Singapore weigh in on international discussions around this tax policy which, if implemented, will create transfer pricing issues with potential double or triple taxation and directly impact the bottom lines. With an impending global minimum tax rate, Singapore would also need to find other ways to remain attractive to investors.

CONCLUSION

Overall, Budget 2021 has introduced new measures, as well as enhanced existing initiatives, to help businesses deal with short-term challenges, while the country prepares for long-term growth and seize new opportunities to emerge stronger together in a green Singapore. Despite challenges posed by Covid-19, Singapore must not lose sight of pressing on with its transformation efforts to gear up for the future. The tax policies announced in Budget 2021 are sensible and measured. It is reassuring to know that the policymakers continue to support policies that are working but at the same time, will not shy away from making changes (even if they may be unpopular) when necessary. ISCA

Perrine Oh is Senior Manager and Stella Lau is Manager, Insights and Publications, ISCA; Felix Wong is Head of Tax, Singapore Chartered Tax Professionals (formerly Singapore Institute of Accredited Tax Professionals).

TAX MEASURES

Extending Budget 2020 Temporary Tax Measures To Support Businesses

A slew of short-term tax measures was introduced in 2020 to support businesses as Singapore braved through its worst recession since independence. Several of these measures which remain relevant will be extended.

One such measure is the enhanced Loss Carry-Back Relief scheme for Year of Assessment (YA) 2020. Under this scheme, qualifying deductions (unabsorbed capital allowances and trade losses) for YA 2020, capped at $100,000, may be carried back up to three immediate preceding YAs (previously only up to the immediate preceding YA), thereby benefitting businesses that are not in a tax-paying position in YA 2020 by easing their cash flow. This scheme will be extended for a year to YA 2021.

To encourage companies to continue to invest in their businesses, companies are provided with an option to accelerate the write-off of the cost of plant and machinery acquired in the basis period for YA 2021, with 75% of the cost to be written off in YA 2021 and 25% in YA 2022. The option to accelerate the write-off will be extended for another year to YA 2022.

Similarly, the option to claim deduction of qualifying expenditure on renovation and refurbishment (R&R) in one year (instead of over three years) will be extended for another year to YA 2022. Taxpayers should, however, note that the amount of R&R costs that qualify for tax deduction is capped at $300,000 for every relevant three-year period.

Supporting businesses going international

To continue supporting internationalisation efforts of businesses amid new norms arising from the Covid-19 pandemic, the scope of the Double Tax Deduction for Internationalisation (DTDi) scheme will be enhanced. It will now cover more of the expenses incurred to participate in approved virtual trade fairs (such as third-party costs for design and production of digital collaterals and promotion materials for virtual fairs) as well as expand the qualifying expenses for overseas investment study trips.

Updating Singapore's GST regime

In his Budget 2018 Statement, Deputy Prime Minister and Minister for Finance Heng Swee Keat had announced the imposition of GST on imported digital services from 1 January 2020, and indicated that the government would closely monitor the ongoing international discussion on e-commerce tax on low-value imported goods.

GST for imported digital services from 1 Jan 2020

GST for imported low-value goods from 1 Jan 2023

DPM Heng announced in Budget 2021 that, to ensure a level playing field for local businesses, GST will be extended to imported low-value goods via air or post, with effect from 1 January 2023. Following the change, overseas suppliers of goods and services will be subject to the same GST treatment as local suppliers.

The announcement to extend GST to imported low-value goods has been positively received by local retailers and suppliers, but the same sentiment is unlikely to be shared by avid online shoppers. Though much of the spotlight has been on imported low-value goods, it should be noted that GST will also be extended to business-to-consumer (B2C) imported non-digital services. These can potentially include consulting and advisory services, as well as services that are traditionally provided in-person, depending on the definition of non-digital services in the legislation.

As for the impending GST hike announced in Budget 2018, DPM Heng reassured Singaporeans in his Budget 2021 Statement that it will not take effect in 2021. It will, however, take effect "some time during 2022 to 2025, and sooner rather than later, subject to the economic outlook".

Charting a shared and sustainable future

To encourage Singaporeans to give back to the community, particularly in these extraordinarily difficult times, the 250% tax deduction for qualifying donations made to Institutions of a Public Character (IPCs) and other qualifying recipients will be extended by two years to 31 December 2023. The Business and IPC Partnership Scheme (BIPS), which seeks to encourage corporate volunteerism, allows businesses to claim 250% tax deduction on qualifying expenditure incurred when sending their employees to volunteer and provide services to IPCs. BIPS will also be extended for another two years to 31 December 2023.

As part of Singapore's sustainability push, the government has raised the petrol duty rates and enhanced the Electric Vehicle (EV) Early Adoption Incentive (EEAI) to encourage the switch to cleaner-energy vehicles. These measures aim to tip the balance towards the widespread adoption of EVs and reinforce Singapore's commitment in addressing climate change.

BY HO YEW KEE, YEAP LAY HUAY AND CHU MUI KIM

AUDIT COMMITTEE LANDSCAPE IN SINGAPORE (PART 2)

Steady Progression Towards Best Practices

THE AUDIT COMMITTEE (AC) IS A VERY IMPORTANT GOVERNANCE MECHANISM established by the Companies Act for listed companies to manage the agency problem arising from the conflicts of interest between shareholders and management. An effective AC can help to ensure that the financial statements of listed companies have integrity and are presented in a true and fair manner.

Part 1 of this article, published in the February issue of this *IS Chartered Accountant Journal*, focused on the key findings based on a review of the data collected from the 2019 annual reports of 650 Singapore-listed companies which were available. In this Part 2, we present the key findings from the online survey consisting of 126 respondents, and interviews and group discussions with 15 AC Chairmen and members.

... all interviewees shared that AC responsibilities have indeed expanded over the years, and the added tasks are non-trivial. Some of the added tasks include risk management, compliance with regulations, IT and cybersecurity matters. These added tasks take away time from the AC in their core work of financial reporting.

PHOTO SHUTTERSTOCK

KEY ATTRIBUTES OF AN EFFECTIVE AC

Prior empirical studies have shown that attributes such as accounting and financial expertise, independence, AC diligence and relevant industry experience make an effective AC. As such, the top five attributes of an effective AC based on the survey as presented in Figure 1 came as no surprise. Some interviewees commented they are the "standard boilerplate qualities of a good AC". Of significant interest is that "accounting/auditing expertise of AC members" is the top choice among the respondents.

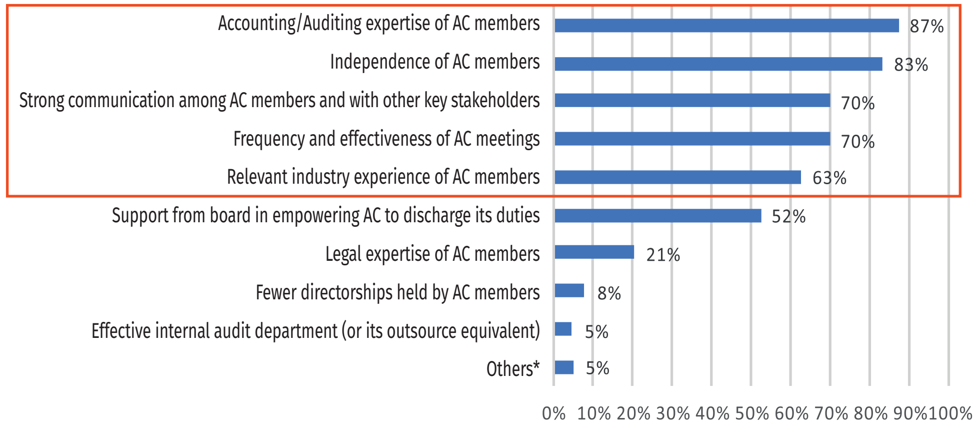
Other than the above attributes, the interviewees agree that AC members need to be intellectually curious, have the ability and courage to ask the right questions to the management and auditors. It is crucial for AC directors to ask tough questions and not just be a "nice guy" or remain silent in discussions.

Another attribute mentioned by several interviewees was the diversity of skill sets and gender in the AC to provide different perspectives. One mentioned that "it is not a good thing to have all accountants in an AC". On the other hand, if there is only one AC member with accounting/financial expertise, he/she becomes the key person whose professional judgement is sought and relied upon. It exposes the AC and company to "key-man" risk.

Some of the desired attributes in AC members:

- intellectual curiosity
- ability/courage to ask "tough" questions
- diversity of skill sets
- gender diversity

Figure 1 Key attributes of an effective AC



*Others include the ability to ask relevant questions to the management, personal motivation, diversity and adequate resources.

INCREASING AC SCOPE OF WORK

Table 1 Opinions on workload of AC

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
I find that AC is taking on more responsibilities as compared to the past.	1	1	11	61	52	4.3
	0.8%	0.8%	8.7%	48.4%	41.3%	
I feel that the AC is taking on responsibilities beyond the scope of what is expected as set out in Provision 10.1 on the duties of the AC in the Code of Corporate Governance 2018.	1	12	25	62	26	3.8
	0.8%	9.5%	19.8%	49.2%	20.6%	
I find that the additional scope of work dilutes the AC attention towards financial reporting and audit	4	20	48	46	8	3.3
	3.2%	15.9%	38.1%	36.5%	6.3%	

From Table 1, an overwhelming 89.7% of the survey participants agree or strongly agree that AC is taking on more responsibilities than before. In addition, 69.8% of them opined that "AC is taking on responsibilities beyond the scope of what is expected as set out in Provision 10.1 on the duties of the AC in the Code of Corporate Governance 2018". It is a concern that 42.8% of the participants feel that there is a dilution of the ACs' work on financial reporting. This phenomenon may be explained by our interview findings in which all interviewees shared that AC responsibilities have indeed expanded over the years, and the added tasks are non-trivial. Some of the added tasks include risk management, compliance with regulations, IT and cybersecurity matters. These added tasks take away time from the AC in their core work of financial reporting. However, they feel that it is good that at least the AC is looking at the wider business risks beyond mere financial reporting.

USEFULNESS OF KEY AUDIT MATTERS

The disclosure of key audit matters (KAMs) is to convey unique information about the audit engagement to intended users. This is to enhance the communicative value of the auditor's report by providing a "roadmap to help users better navigate complex financial reports and focus them on matters likely to be important to their decision making" (IAASB 2011, para 36). Studies have found that KAMs contain informational value, impact the financial reporting behaviour of management positively and improve the accountability of management.

Figure 2 shows the top 10 topics reported in KAMs, which are similar to those found in the PwC 2018 study, "Time to step up: building momentum for progress: The Singapore second year experience". The most frequently reported KAM pertains to valuation matters, especially fair value estimation.

From Table 2, 50 (7.7%) listed companies did not have any KAM in their annual reports. Among these 50 listed companies with no KAM, only two (1.4%) listed companies have market capitalisation of $500 million and above. More than 60% of the listed companies across all three size categories had one or two KAMs in their annual reports.

From the survey and interviews about the disclosure and assessment of KAMs, the general feedback is that the AC does not spend too much time on KAMs as they are deemed to be part of the audit workplan under the purview of the external auditor and they are based on the external auditors' judgement on what is of importance to them. AC generally does not challenge the KAMs raised by external auditors because they would have discussed with management and auditors about the KAMs before they are included in the annual reports. A lack of AC commentary is probably because the AC concurs with the KAMs raised by the auditors. In the Asian context, it is unlikely that the AC and the auditors would want to openly disagree on KAMs in public.

The interviewees opined that the disclosure of KAMs has not increased audit efforts and time significantly as the KAMs have been raised and discussed internally with the board/management all along. The disclosures in the annual report only make them available to the shareholders and the public. However, time spent in wording the KAMs appropriately in the annual report is probably non-trivial and it increases the cost to the auditors with no assurance that the KAMs provide more information to the readers or that they enhance the integrity of the financial statements.

The interviewees also opined that shareholders do not ask any questions about KAMs at the annual general meetings. KAMs may seem redundant to shareholders when there is an unqualified audit opinion. It is assumed that KAMs have been considered duly closed or passé. For the general public or shareholders, there may also not be enough understanding of KAMs in the annual reports. Auditors may help to educate or emphasise the importance of KAMs.

Figure 2 Top 10 topics reported in KAMs

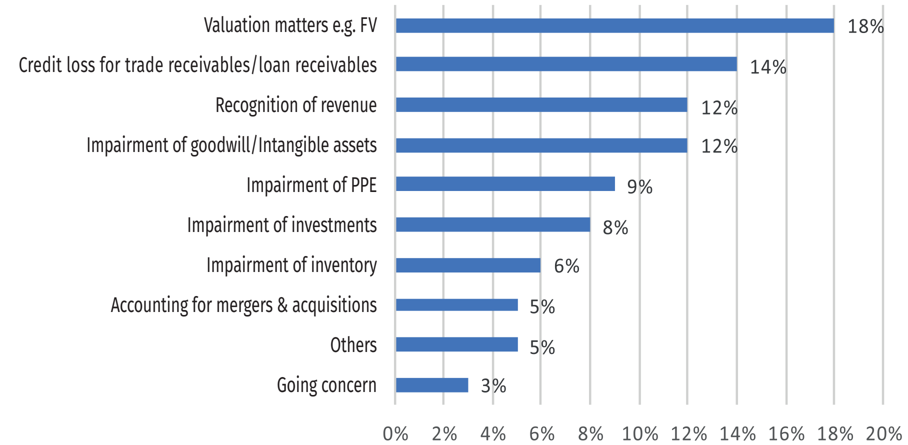


Table 2 Number of companies with KAMs (by size categories)

No. of KAMs	≥$500M	<$500M	CATALIST	Total
0	2 (1.4%)	26 (8.6%)	22 (10.7%)	50 (7.7%)
1	47 (33.3%)	76 (25.1%)	77 (37.4%)	200 (30.8%)
2	51 (36.2%)	117 (38.6%)	67 (32.5%)	235 (36.2%)
3	25 (17.7%)	58 (19.1%)	25 (12.1%)	108 (16.6%)
4	13 (9.2%)	21 (6.9%)	11 (5.3%)	45 (6.9%)
5	2 (1.4%)	5 (1.7%)	3 (1.5%)	10 (1.5%)
6	0 (0.0%)	0 (0.0%)	1 (0.5%)	1 (0.2%)
8	1 (0.7%)	0 (0.0%)	0 (0.0%)	1 (0.2%)
No. of companies	**141** (100%)	**303** (100%)	**206** (100%)	**650** (100%)
Average number of KAMs per company	2.1	2.0	1.7	1.9

IMPACT OF DIGITALISATION AND COVID-19

The rapid advancement of technology has brought about both additional risks and opportunities to organisations and added new responsibilities to the AC. Studies have highlighted the impact of technology on the finance organisation's "talent, efficiency, and added value" as one of the top seven items of the 2020 AC agenda.

From Table 3, the average ratings are between 3.3 and 3.8 out of five, indicating "Neutral" to "Agree" on the three survey statements. Sixty-nine per cent of the respondents opined that they view the use of digital tools by the external auditors to be very important to provide assurance on the effectiveness of the audit work. However, in our discussions with the interviewees, the feedback was that the AC's choice of external auditor is not affected by the extent of the auditor's digitalisation at all. This is because the use of digital tools is meant to help the auditors to perform their work more efficiently, which is not perceived as a concern or responsibility of the AC. The AC is interested primarily in the effectiveness of the external audit.

Interestingly, only 42.8% of the participants opined that they are concerned that digitalisation increases a company's risk. However, in speaking with the interviewees, many had expressed great concern about cybersecurity risk, which is a relatively new area for ACs. It is possible that ACs may not have considered the full extent of cybersecurity risk.

The Covid-19 pandemic has also shown how important digitalisation is, and a board needs to understand the role of digitalisation in its business and operations. The interviewees shared that digitalisation makes the AC's role more complicated, given the increase in high-profile cyber-risk cases.

Table 3 Opinions on impact of digitalisation

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
I view the use of digital tools by the external auditors to be very important to provide assurance on the effectiveness of the audit work.	0	3	36	72	15	3.8
	0.0%	2.4%	28.6%	57.1%	11.9%	
I have been briefed by the external auditors concerning their digital approach in the external audit.	0	17	34	66	9	3.5
	0.0%	13.5%	27.0%	52.4%	7.1%	
Digitalisation increases company's risk and I am concerned.	1	28	43	46	8	3.3
	0.8%	22.2%	34.1%	36.5%	6.3%	

Table 4 Impact of Covid-19

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Average
The Covid-19 pandemic has increased the AC's workload for the current financial year end.	0	5	37	68	16	3.8
	0.0%	4.0%	29.4%	54.0%	12.7%	
The Covid-19 pandemic has increased the amount of efforts the AC has placed on ensuring that internal controls remain adequate and efficient (e.g. more frequent checks to ensure no management override of controls). (24)	0	4	30	70	22	3.9
	0.0%	3.2%	23.8%	55.6%	17.5%	

Figure 3 In light of the Covid-19 pandemic, rank the top 5 concerns for your company

From Table 4, 66.7% of the respondents indicated that Covid-19 has increased the AC's workload for the 2020 financial year end while 73.1% agreed or strongly agreed that the pandemic has increased the amount of effort the AC has put in to ensure that internal controls remain adequate and effective. These results are reinforced by the interview findings. Some interviewees shared that additional board meetings were required to make the required disclosures to the Singapore Exchange. There was also increased monitoring by the board and AC on contracts, customers, cashflows, bank covenants, business continuity plan and budget revision due to Covid-19.

As can be seen in Figure 3, 83% of the respondents indicated impairment in asset valuation as one of their key concerns. This concern does not come as a surprise given the significant economic uncertainties brought on by the pandemic, which directly impacts the valuation of assets. The pandemic makes it more difficult and subjective to ensure impairment is adequate.

It should be noted that while "going concern and liquidity" was ranked third (Figure 3), the greatest number of respondents (48%) selected it as the top concern. Indeed, Covid-19 is unprecedented, and it has shifted the board's and management's attention from long-term growth (for example, business acquisition) to short-term survival. Covid-19 has also changed the focus of the board, AC and management. It directs attention on operational and risk management, re-forecast of financial performance, business continuity plan and dividend payout – existential issues rather than long-term planning and strategy issues.

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CONCLUSION

The online survey as well as interviews and focus group discussions reaffirm the key attributes of an effective AC to discharge its role in overseeing the financial reporting process. Over the years, the AC has taken on more responsibilities such as risk management, compliance with regulations, IT and cybersecurity. While the added tasks take away time from the AC in their core work of financial reporting, the general feedback is that it is good that at least the AC is looking at the wider business risks as they ultimately affect the integrity of the financial statements. As compared to PwC's 2018 study on KAMs, this study reveals little improvement has been made and raises the question of whether the KAMs provide more information about the financial statements to the readers as intended. This study also provides insights in understanding the impact of digitalisation and Covid-19 on AC work. ISCA

Prof Ho Yew Kee is Associate Provost, Singapore Institute of Technology (SIT); Yeap Lay Huay and Chu Mui Kim are both Senior Lecturers, SIT.

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CREATING HISTORY WITH *HERSTORY*

To commemorate International Women's Day on March 8, we speak to three female accountants who dare to step up, seize opportunities, and make a difference.

SINGAPORE HAS DEDICATED 2021 AS THE YEAR OF CELEBRATING SG WOMEN. Setting the stage for what is to come was Minister for Social and Family Development Masagos Zulkifli, in a January 30 Facebook post which read, "We will focus our efforts this year to celebrate the progress and potential of Singapore women, and rally the community as part of this whole-of-society effort. All of us play a part in cultivating a culture of respect and rapport, both of which are fundamental to furthering the progress for our women, and our society."

From Singapore's earliest years, SG Women have played an integral role in enhancing every aspect of our society. Through their unwavering dedication, SG Women have shaped homes, schools, workplaces and communities. Over the years, Singapore's system of meritocracy has paved the way for women to excel in their chosen fields, smoothing their ascent on the corporate ladder. But there remains a struggle for balance in the different spheres of life, underlined by the deeply steeped, traditional notion that the woman's place is in the home – as the main carer of the children, husband and parents in the family, as well as in managing the household.

In more recent times, shifting societal perceptions have done much to alter outmoded attitudes and opened more doors for women, creating a support network that enables them to showcase their talents and contribute considerable value to their organisations, industries and the wider community. This was made possible by the active collaboration between men and women, at work and at home, as they strived towards a shared goal. As Minister Masagos declared, "We will celebrate our women's multifaceted roles across society, and we will also celebrate the men who help to debunk stereotypes, change mindsets and play an active role in supporting and uplifting women."

I DID IT… *MY* WAY

Efforts to achieve gender equality in the corporate sphere is a work in progress, and one worth pursuing both socially and economically. It will take time but we know from the three ISCA members featured here that already, empowered women are crafting a whole new chapter of *her*story.

Although our featured members are at different stages of their careers, they all acknowledge that family support plays a key part in their achievements. Equally important is one's attitude and willingness to seize the opportunities available. To women who want to realise their full potential at the workplace, the advice is to invest in developing one's confidence so that one can rise up and take on bigger – and more challenging – roles. Find out how our featured members dare to take the path less travelled, and attain professional fulfilment.

LESSONS FROM A LEADING LADY

Yvonne Chan, FCA (Singapore), Director (Finance, Procurement and Administration), Enterprise Singapore

LIKE MANY WORKING WOMEN TODAY, YVONNE CHAN WEARS MANY HATS – and she wears them well. By day, the Fellow Chartered Accountant of Singapore, or FCA (Singapore), is Director (Finance, Procurement and Administration) at Enterprise Singapore (ESG). Beyond work, she is wife and mother of two daughters and a leader who brings a touch of maternal concern to her teams.

Ms Chan excels in these various roles and has risen to the top of her profession, even though her entry into accountancy was accidental. "My first choice was to be a surgeon, but when my grades could not qualify for medicine, I went into accountancy not knowing what I was getting into," laughs Ms Chan, who has served as Vice President and Executive Committee member of ISCA since 2018, and the Chairperson of the ISCA Continuing Professional Education Committee since 2017. "Through the years, I have worked in financial accounting, management accounting, internal audit, mergers and acquisitions and systems implementation, to name a few. I have learnt to love my job more and more. The experience in this field is vast and there is never a dull moment if one is open to try."

Accounting requires one to be systematic and disciplined, Ms Chan points out, adding, "These same skills provide the basis for problem solving and decision making, and the foundation to be good leaders in other fields as well." She has helmed Procurement, Administration, Data Management, Sustainability, Service and Organisational Excellence, and even Sales and Operations at different points in her career, which attest to this point. Simultaneously, she was raising her children. "Balancing work and life was a challenge at various phases of their growing years," she admits. "I thought it would get easier as they grew up but the challenges took different forms: parenting them as toddlers, young children, teenagers, young adults and now adults has required various configurations of time and effort."

The self-confessed "natural workaholic" points out that she has been able to achieve such a stellar career – she served as CFO/Director (Corporate Development) at the Maritime and Port Authority of Singapore for 11 years before joining ESG – thanks to a strong support network. She adds, "I was fortunate that my girls were relatively easy to bring up, and I count my blessings for having a supportive husband and extended family. I have also had good bosses who mentored me, and there were opportunities that opened up for me at my workplaces. The road to leadership is often paved with challenges, but every challenge is an opportunity to learn and grow in experience."

CAREER HIGHLIGHTS

1994 to 2004
Finance and Operations Manager,
Emerson Process Management

2004 to 2005
Finance Director,
MTV Asia

2005 to 2008
Finance Manager,
Emerson Network Power

2008 to 2019
CFO/Director (Corporate Development),
Maritime and Port Authority of Singapore

2017 to Present
Chairperson,
Continuing Professional Education Committee,
Institute of Singapore Chartered Accountants

2018 to Present
Vice President,
Institute of Singapore Chartered Accountants

Member, Executive Committee,
Institute of Singapore Chartered Accountants

2019 to Present
Director
(Finance, Procurement and Administration),
Enterprise Singapore

Board Member,
Cargo Community Network

Board Member,
Infrastructure Asia

Board Member,
IPI Singapore

Board Member,
Enterprise Singapore Holdings

MOTHER KNOWS BEST

When Covid-19 hit Singapore in early 2020, Ms Chan found herself working 14-hour days, even on weekends, for six months. But that became an opportunity for development in her team. "We were entering uncharted waters," she recalls. "No one could fathom the extent of the disruptions; all we knew was that we would ride it out together. It was important to show that as leaders, we roll up our sleeves and toil on the ground with the people." Looking back, she says, "I am thankful for the camaraderie and the spirit of innovation that developed as we tried to stay afloat on what felt like a 'burning platform' at times. Trust and respect are earned through adversity. I would not have been able to do much had it not been for my wonderful team."

It takes strength to be a woman leader in the field of finance and, in Ms Chan's view, it requires qualities such as "tenacity, resilience, determination and willingness to sacrifice tasks for people". She likens leadership in the industry to motherhood. "To me, being a wife and mother helps me to be more maternal towards people," she says. "It's important to convince them of the vision and goal, and then create the culture and environment for them to excel according to their own abilities. It's no different from raising kids."

DIVERSITY DONE RIGHT

While women leaders are celebrated on occasions like International Women's Day, Ms Chan is careful to note that female empowerment should be wielded with restraint and wisdom. "Women and men, young and old, are necessary for diverse views and opinions," she points out. "When one pushes for the empowerment of women, we should contextualise this with regard to the culture, country and environment." She notes that in the public sector, there is gender equality and success is based on meritocracy. To effectively empower women of all stages in life at the workplace, Ms Chan suggests that "some good practices that organisations can adopt would be to ensure that at least 30% of their leaders are women; to create HR policies for rights protection like nursing rooms, childcare leave, full maternity leave, flexibility to telecommute, and to establish avenues for communication to ensure all views are heard and confidentiality is ensured". She urges working women to speak up. "Don't be afraid to share; and believe that everyone can make a difference, regardless of their position in the hierarchy," she advises.

Yvonne Chan (extreme left) and her family on an overseas vacation

> **Accounting requires one to be systematic and disciplined, Ms Chan points out, adding, "These same skills provide the basis for problem solving and decision making, and the foundation to be good leaders in other fields as well."**

IT'S ALL ABOUT BALANCE

Ms Chan encourages young women in accountancy to be bold and make full use of every opportunity, even if this requires them to work around their other commitments. For those who are mature, whose family commitments may have eased, she advocates that they "carve out time to share their experience and knowledge, and not let this go to waste".

Ultimately, Ms Chan emphasises that both women and men bring diverse values to an organisation. As one who serves on many boards, she sees her role as being someone who gives "balanced views" to help an organisation. "Always remember the terms of reference for the role that you represent and play to that role well, regardless of gender." This is particularly important given today's rapidly evolving socioeconomic landscape, which affects both men and women alike. Ms Chan also advises everyone to embrace change. "Accountancy is a profession that should adopt technology at a faster pace. We take the brightest and smartest to study accountancy but often bore them with the endless vouching, verification, checking and documentation once they graduate," she observes. "Empower them to stop doing what they do not like, and innovate to do things differently." Her own secret to success involves managing time well, and creating space for a balanced life. She says, "I try and allocate time to spend with and on my family, friends, church, interests and volunteer programmes, and I carve out 'me time'. I try to practise cognitive fitness by trying out a new hobby, interest and experience to keep my mind fresh and alive."

THE FEARLESS PURSUIT OF FULFILMENT

Joanna Chung Pei Shan, CA (Singapore), Financial Planning and Analysis Manager, Speedoc Pte Ltd

SOME PEOPLE SHY AWAY FROM CHALLENGES WHILE OTHERS EMBRACE THEM WITH OPEN ARMS. Firmly in the latter category is Joanna Chung Pei Shan, an energetic 27-year-old whose sense of adventure has opened doors to unique opportunities, such as being posted to PwC's Myanmar office for one year from 2019 to 2020.

Ms Chung, a Singapore Management University scholar with a double degree in Accountancy and Business Management (class of 2016), admits that most of her peers would have typically preferred to head to Silicon Valley, New York or London for an overseas work stint. But she points out that the region that is experiencing tremendous growth right now is Asia, which includes the ASEAN countries. As such, even though she was cautioned by friends that a year away might hamper her career progression, she chose to see it as time well spent. "In life, you don't have to 'chiong' (rush) so fast; when you do, you sacrifice things along the way," she explains. "It's worth trying new things. If I don't do it now, five years later, it may be harder to do so due to changes in life circumstances."

Her role in Myanmar was to train the Risk Assurance teams there as well as work on Risk Assurance projects. However, communications with the local staff was a challenge as she did not speak the local language. This compelled her to take a Burmese language course called Bamazaga when she came back to Singapore as she was convinced that doing business in Southeast Asia in the long term would require working professionals to have some knowledge of the local vernacular.

After her return to Singapore in 2020 – having spent four years with PwC by then – Ms Chung took another leap by joining Singapore healthtech startup, Speedoc. She is now the Financial Planning and Analysis Manager at the company, a virtual clinic and hospital care provider combining physical digital services to challenge the traditional centralised, facility-based healthcare delivery model. Its services include house-call doctors, nurses and medication delivery, complemented by telemedicine, remote diagnostics and health monitoring. "I have had a soft spot for startups since I interned at RedMart in 2015," she reveals. "I've also interned at Rangde, a not-for-profit organisation in India that does micro financing. I like the flat structure of such organisations, where everyone works together to move things forward to fulfil the vision and mission of the organisation."

While working in a Big Four accountancy firm affords security and prestige, one is ultimately a small fish in a big pond, says Ms Chung, adding that going from the corporate to the commercial arena holds a certain appeal. "Our company raised US$5 million in its Series A round of funding in December 2020," she shares. "It's very fulfilling to know that my financial expertise helped get that funding – it's my small contribution and the entire team's hard work that led to it."

CAREER HIGHLIGHTS

2016 to 2018
Associate,
PwC Singapore

2018 to 2020
Senior Associate,
PwC Singapore / PwC Myanmar

2020 to Present
Financial Planning and Analysis Manager,
Speedoc

YOU *CAN* HAVE IT ALL

Ms Chung's decidedly different outlook on life can be traced back to her unusual upbringing. The third of five children, she grew up with a career-woman mother and her retired father. Her mother is Sim Siew Moon, the previous Head of Tax at EY Singapore, and current EY Asia-Pacific Tax Policy and Controversy Services Leader; she is also Ms Chung's role model and inspiration. "We had a different childhood growing up, with my father being around the home more, as opposed to societal expectations of the mother taking on this role," she recounts. "I asked my dad, 'Don't you face pressure from people who say men should be the breadwinner?' He told me that his definition of success in life is a happy family. We have family dinners almost daily."

"Now that I look back on my family, for my mother to have five kids, and have a successful career… it's crazy," she observes with a laugh. "My parents maintain that their greatest joy is having the five of us; I'm very happy that they prioritised family."

She disagrees that "life" and "family" are a dichotomy. "Look at my mother!" she says. "Generally, opportunities available to men and women are the same, but women may not grab them," she notes. "They may have self-doubt: 'Am I good enough?' or say, 'I have other obligations such as household responsibilities.' Asian societal expectations are that women have to be at home." Ms Chung has a boyfriend, and while she is not thinking about marriage just yet, "family-wise, I do want a big family. I believe you can have both family and career success."

EMPOWERMENT FOR EVERYONE

Ms Chung views empowerment as something that applies to both women and men, having grown up with three brothers whom she describes as "respectful" and "absolute gentlemen". "When we talk about female empowerment, we mustn't forget the men because they also play a huge part. Only when we bring men into the equation can we have true equality," she insists. "I do not feel discriminated against because I'm a woman in Singapore, but that's not the case in some other places." That said, she notes that women can do a lot to support other women – in accountancy as well as across other industries.

Apart from her mother, three other women she admires are from PwC – Charlotte Hsu is the Territory Diversity Leader and Partner for Corporate Responsibility, and Fang Eu-Lin is Partner and Sustainability and Climate Change Leader. She looks up to them for being both corporate leaders while championing other causes, such as Charlotte's creation of the PwC Singapore Foundation and Eu-Lin's innovative perspectives on sustainability reporting. "I met Eu-Lin through an initiative of Charlotte's which paired a female Partner with a female staffer. Women in leadership can really contribute to the organisation when it comes to building a supportive community for other women." Another leader she admires is Lim Kexin, Tax Partner at PwC Singapore. Sharing the same alma mater, Kexin has been a "great mentor during my PwC journey and beyond. She was the one who encouraged me to venture to Myanmar, while she shared with me a similar journey she took to Indonesia".

Ms Chung herself is an active member of the Young Women's Leadership Connection (YWLC), a network to nurture young women leaders conceptualised by former Minister Mrs Lim Hwee Hua, Singapore's first female full minister, in 2008. "When I first joined, that was the first time I met a lot of very ambitious women – people in private equity, venture capitalism, investment banking, corporate and startups. YWLC has organised many events over the years where members meet and exchange ideas and stories. These are women who are ambitious, who want to make a difference in society or the field they're in; it's an amazing group."

"There's this saying, 'Behind every successful woman is a tribe of women that has her back.' Female empowerment is a lot about women lifting each other up, creating our own 'tribes' to push each other forward and upward," she adds, with more than a touch of pride in her voice.

"There's this saying, 'Behind every successful woman is a tribe of women that has her back.' Female empowerment is a lot about women lifting each other up, creating our own 'tribes' to push each other forward and upward."

THE SUSTAINABILITY CHAMPION

Fang Eu-Lin, CA (Singapore), Partner And Sustainability And Climate Change Leader, PwC Singapore

THE FIELD OF ACCOUNTANCY HAS MUCH TO DO WITH NUMBERS. But beyond figures, it is an industry that equips professionals with the ability to develop strong foundations in quality, fairness, professional care, problem solving and stakeholder considerations (inclusiveness). This is the view of Fang Eu-Lin, Chartered Accountant of Singapore, or CA (Singapore) for short.

"Accountancy is a fantastic profession that equips you with a way of thinking about the world," says Eu-Lin. "There are many use cases for accountancy professionals."

On top of providing services in the areas of financial accounting, audit, internal audit, tax and enterprise risk management, one could also have an exciting profession in mergers and acquisitions, restructuring and insolvency and financial forensics. But a fast emerging and exciting area in the sector, she adds, is sustainability and climate change.

Ms Fang helps organisations to improve their sustainability practices in the areas of carbon measurement, decarbonisation plans, climate risk, reporting, assurance, and environmental, social and governance (ESG) due diligence, among others. She began overseeing PwC Singapore's sustainability and climate change portfolio in 2017, after it was set up seven years ago as part of the organisation's investment in this area. Initially, she was of the impression that the portfolio would be a small one, limited to corporate social responsibility. She quickly learned that there is much more to the role and was intrigued by the breadth and depth of the sector. But she invested heavily to get herself up to speed, and is currently helping to address what she says are "complex but deeply purposeful problems faced by her clients".

ACCOUNTANTS CAN SAVE THE WORLD

What do accountants have to do with mitigating climate change? Lots, according to Ms Fang.

With their strong foundations, accountants can help in addressing complex questions like, "How are organisations measuring their environmental impacts?"; "How are organisations decarbonising their business and setting science-based targets?"; "How do we report these climate risks and other ESG-related metrics which would be helpful to investors, lenders and other stakeholders?"

In line with the recommendations set out in the Intergovernmental Panel on Climate Change[1] (IPCC) SR 15 Report, emissions of carbon dioxide will need to fall by about half by around 2030, and to net zero by 2050. At a company level, accountants can step up to help organisations in their journey to being carbon-neutral, such as by calculating and advising on their carbon-emission measurements, as well as help establish science-based targets for them to progress towards their net-zero ambitions. At the national level, as countries ratchet up their ambitions over time and these translate into regulations to manage externalities, accountants can assess the potential hazards of the transitional risks of climate change that come into play.

"Accountants will save the world," declares Ms Fang, with a laugh. She was quoting World Business Council for Sustainable Development Chief Executive Officer Peter Bakker[2], who penned the line in a *Harvard Business Review* article. But in all seriousness, Ms Fang believes that accountants have the right training, experience and skill sets to deliver robust standards of measurement and reporting of ESG metrics and disclosures. As a case in point, she points to the report, "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation", a collaborative effort by the World Economic Forum International Business Council and Big Four firms.

[1] The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.
[2] Peter Bakker. "Accountants Will Save The World". 5 March 2013. *Harvard Business Review*.

A STEP AT A TIME, BUT THERE IS URGENCY

For organisations which have not started but are thinking of adopting sustainability and climate-change best practices, Ms Fang's advice is to take things one step at a time. One of the more useful steps is to perform a material topics assessment to identify the organisation's most important ESG risks and opportunities. "This will help to identify the most critical ESG issues and help preserve the organisation's value, and potentially create more value for it and increase its competitive advantage," she explains. However, as climate change and sustainable development are urgent, she shares that integrating ESG into business should be the norm, and that there is no business to be done if there is no planet.

With Singapore's goal to be a sustainability hub – including a green finance hub and carbon services hub – Ms Fang believes walking the talk would require the collective buy-in and effort of individuals and companies. She is heartened to hear that the government will be launching a new Enterprise Sustainability Programme to support local enterprises seize opportunities for growth in the green economy, and looks forward to being a part of that conversation. "Singapore is naturally well-placed to champion and excel in sustainability," she adds.

WELL-PLACED TO DO GOOD, AND THE LOTTERY OF LIFE

As the Covid-19 pandemic remains a global issue, Ms Fang holds firm to the view that accountants have become even more vital now – not only to play a part in addressing the immediate pandemic-related challenges but also to make sense of emerging megatrends such as technological change, inequalities, climate change and more. Their actions have the potential to create positive ripple effects within business, industry and society.

Ms Fang relishes the inspiration she receives from her teams of "smart, dedicated and purpose-driven individuals who are always looking to solve problems". She enjoys her work and wakes up every morning knowing that she is playing her part in "helping to solve sustainability and climate change issues, and strengthening PwC's and Singapore's capability in this sector". She is also a big believer in lifelong learning, to deepen her knowledge.

Beyond her role as Sustainability and Climate Change Leader, she serves on the boards of Temasek Polytechnic and Vanguard Healthcare, and had previously volunteered with the Ministry of Health and National Youth Council. Her volunteerism spirit stems from her conviction that there should not only be equality but equity in society.

CAREER HIGHLIGHTS

2012 to Present
Partner, PwC Singapore

2017 to Present
Sustainability and Climate Change Leader, PwC Singapore

... accountants have the right training, experience and skill sets to deliver robust standards of measurement and reporting of ESG metrics and disclosures.

"Since I was young, I've always thought deeply about the 'lottery of life'. Why do some have more? Why do some have less? It didn't seem fair to me. So, if I have an opportunity to give back to help in that equity equation, I will try my best." She was in her early 20s when she started getting involved in food distribution to lower-income households and the sprucing-up of rental flats. Now that Covid-19 would have accentuated these inequities, Ms Fang encourages those who are in a position to help to reach out and do more, if circumstances allow.

How has Ms Fang's personal ethos guided her actions? "Never let your regrets manifest into defeat," she says. For example, it is natural to take action at a certain point in time because it seemed like a good idea but on hindsight, it might not have been a wise move. "While we take time to grieve over the mistake, don't let it debilitate your life," she advises.

"We are often our biggest cheerleaders, but also our toughest roadblocks. What I find helpful is to have 'cheerleaders' such as family, friends or colleagues to line our paths, who can help us power on. Sometimes, we also can be a cheerleader to others. Especially in these times, is there someone you know who needs encouragement, who needs cheering on?" she asks, urging for action where it can benefit others. ISCA

PHOTO: SHUTTERSTOCK

BY JACELYN CHUA

EVOLVING CONVERSATIONS

Cornerstones For A More Connected Team

AT THE RATE THAT TECHNOLOGY IS EVOLVING and how we're seemingly unfazed by almost every new product and feature that today's tech giants roll out, one would be led to think that when thrust into a "Covid-19 world", we'd be perfectly at home with it.

Well, not quite.

As it turns out, living a life where daily human interactions are replaced by virtual ones isn't quite the same as knowing instantly how to navigate all the latest iPhone features.

We are finding ourselves having to, all at once, adopt far too many new changes. Virtual discussion, digitalising work flows, creating new meeting rhythms and plenty more. All set against a backdrop of a new work environment that finds us in comfy sweat pants amidst screaming children, barking house pets, a neighbour's home renovation and the list goes on.

The pandemic has indeed accelerated this digital revolution and placed us in unfamiliar territory – one that is here to stay. The unfortunate irony with the world being mobile and connected is that we are finding ourselves to be increasingly disconnected. Because at the behest of this supposed digital revolution that we're in, comes the inevitable decline of real human interaction and connection.

The conundrum:
More connected but also more disconnected?

Think about it – the meetings we have with our teams are always scheduled, with set agendas, specific objectives and allocated time slots. While these are great for the purpose of achieving a target, it is also creating a great divide. Gone are all the impromptu conversations that spark countless unexpected ideas. These moments, albeit small, can often make a huge impact. The interaction we have with those we work with on a daily basis is what helps to create culture and camaraderie; it is often the flint that helps to spark bright ideas.

Being able to integrate work and life means finding space in the day to allow for both (work and personal matters) to take their rightful spots in your busy schedule.

And with us having every moment of the day scheduled and packed to the gills, it leaves little time for these genuine interactions.

We spent much of last year putting in place digital versions of systems and processes and becoming somewhat comfortable with them. However, the technological knowhow are mere tools to facilitate our day-to-day work. The heart of the matter lies in making connections from the heart.

A LEADER'S REFLECTIONS

Some time in the middle of last year, when we were a few months into working from home, I checked in with my team to find how they were coping. They seemed to be doing fine when we had our team Zoom calls but I just wanted to be sure. It was only during these one-on-one calls with them that I realised the uniquely diverse issues they were facing. A young consultant voiced her struggles with working from home, saying that her parents expected her to help around the house just because she was at home. Another spoke about the constant distractions he faced not having a conducive space to truly focus on work. These were just two examples; there were plenty more.

The conversations I had with them provided me with clarity on what their day-to-day experience was like, which led me to think about the necessity of having a platform for such interactions to happen. We won't be able to solve every single issue of course, but sometimes, offering a listening ear and taking the time to understand a situation better makes for a good start.

Whatever norms and expectations that come from being in the office may no longer apply as much (when working remotely) because we are now empowered to simply deliver.

Helping your team be their best

To ensure that your team has the capacity to embrace all the changes we have been experiencing and be better equipped to grow into the future, we need to ask the right questions, the kind that encourages them to open up about the challenges they are facing. Consider using these questions to get the ball rolling.

What's your daily routine like when working remotely?
This question helps to set the stage because you have a clearer picture of what that person's day typically looks like. Understanding this could shed light on the challenges they may be facing.

What would be the highlight of your day?
Knowing what brings joy in someone's life could help lead to uncovering solutions. Perhaps at the end of a long week, a simple box of treats may be exactly what the person needs.

What do you find to be the most challenging part of your daily work routine?
Knowing what the main trigger is will act as a precursor for what's to come. Is it a process-related issue? Or maybe simply a lack of certain tools?

What do you do when you have a creative idea?
In a typical office environment, these ideas could be shared with a colleague with the simple swivel of a chair. But when working remotely, what outlets are there to support and grow these ideas?

Are there instances during the day that are dedicated to "pantry talk"? How do we create more of them?
In the Zoom meeting environment we have now, every conversation is a scheduled meeting that will revolve around a specific work-related agenda. What happens to those random run-ins while making a cup of coffee or grabbing a snack at the pantry? These conversations are important as they help to shift focus and provide moments of reprieve from an otherwise stretched-out day.

Do you feel supported within the team? Are you able to, at any point during the day, pick up the phone or click on the call button to ask a colleague for help?
It's an issue if your team feels that every discussion needs to be scheduled in advance because the other person's calendar is packed to the gills with back-to-back calls.

Do you feel the company supports you effectively?
While feeling supported within the team can greatly improve morale and job performance, they need to feel that the organisation has got their backs too, by making the remote work experience as seamless as possible. Are they handicapped by certain processes or tools?

Are there specific challenges that you face while working remotely versus working in the office?
The response to this question will be uniquely specific to each individual. Understanding these challenges can help craft specialised solutions for them.

Are you able to fully disconnect at the end of the day or do you often feel like the workday never ends?
Often, we're physically able to take that after-dinner work-related call. The question is, should we? What will happen if you have the call tomorrow instead of this evening? Not having an official shutdown simply because the laptop is right next to your bed blurs the line between work and home. We feel like we should simply because we can.

At the end of the day, it is not about having to find a solution for every single issue, but to use this as a platform to hear and be heard. Sometimes, just knowing that the next person understands your situation and is possibly facing the same could be all it takes to breathe a much-needed sigh of relief. Together, the discussion could then lead to working as a team to find ways to alleviate these concerns in whatever small way possible.


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IT TAKES TWO TO TANGO

Can't say I know how to tango but I'd imagine it makes sense that you'd need two people to do it. And the same goes for fostering a relationship in our digital world. As important as it is for an organisation and its leaders to be proactive in reaching out to the staff, the employees need to be equally reciprocal too.

Back in the days of physical meetings, being a warm body in the meeting room with the occasional head nods and laughter peppered with the odd yes or no might suffice – simply because the mere physical presence of a person adds to the energy in the room. With a virtual meeting, it's a whole different ball game. More often than not, there's a need to remain muted so that there aren't any distracting feedback or noise brought into the call. Coupled with the lack of eye contact and some people's preference to remain off-camera, it makes for a cold, can't-wait-for-this-meeting-to-end type of meeting.

Being present

Employees need to make an effort to be even more present than before. Not doing so can be detrimental to the organisation because it means large chunks of the population being unengaged and simply doing their work by rote. The onus lies on both the leaders and their team to constantly reach out to one another and communicate well to maintain work rhythms and flow.

Empowerment and trust

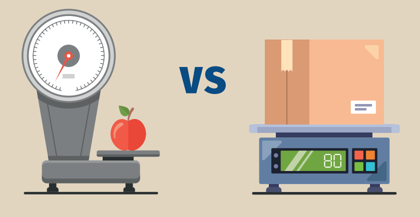
Being able to work remotely is a form or empowerment simply because it comes with a natural loosening of work rules. Whatever norms and expectations that come from being in the office may no longer apply as much because we are now empowered to simply deliver.

Along with empowerment comes trust because of the need for mutual understanding that what needs to get done will get done. Trust forms a large component of what constitutes as the building blocks of a successful team. Being able to work synergistically and knowing that the rest of the team is performing at their optimal sets the stage to producing truly great work.

A balancing act

For many of us, the home-office is probably a little more than a metre or two away from where the bed is. Bringing the work environment into our regular living space puts us in a bit of a conundrum because it causes a blurring of lines that we do not experience when working in the office.

And the much-lauded work-life balance that many are in constant pursuit of? – it's just going to be that much more difficult to attain. The hard stops that we imagine ourselves putting in place aren't as easy to execute because we are so connected all the time. This is why the work-life balance that we envision may not be the ideal that we should be striving towards.



Perhaps, instead of balance, what we should be working towards is an integration. Because the fact is, we're already there and have been for the past year. Now, it's more about finetuning the experience. We may not always be able to shut down at 6pm and call it a day till the next morning, because it's not unexpected that the "urgent" mail or text message rears its head at some ungodly hour.

Similarly, there may be a need for urgent personal matters that need to be attended to during the course of a regular work day. Being able to integrate work and life means finding space in the day to allow for both to take their rightful spots in your busy schedule. And yes, I'm the first to acknowledge that this is definitely easier said than done. It requires mutual trust and understanding from both parties. And it'll take time for sure.

But this change is a necessity because it could just be what would bring us that balance we so crave. And, perhaps it's time we viewed this as a change to the world in

and of itself. Not entirely good, not entirely bad, but just different. The digital age has given us another means through which we maintain that human interaction and relationship, and for better or for worse, it's going to stay.

A MIND OPEN TO THE FUTURE

There are some things we set as rules of the company and as part of the culture because we feel that they are important for productivity. Just a year ago, the idea of having a majority of our workforce work remotely seemed untenable. It was just not an arrangement that we thought would be beneficial in any way. We had concerns that in doing so, it could potentially dilute our company culture, reduce performance and morale and plenty more.

... it is not about stubbornly holding on to idealised habits and practices because they worked in the past. It is actually about the adaptability and tenacity of the heart of an organisation – its people, and how we can move forward as one.

Fast forward to today, the new Covid-19 world has truly opened our eyes to the possibilities of what could be if we'd only pause for more than a second to entertain those supposed crazy ideas.

From changing time-honoured practices and rituals to embracing unexpected radical ideas, these changes in one way or another are proof of resilience. At the end of the day, it is not about stubbornly holding on to idealised habits and practices because they worked in the past. It is actually about the adaptability and tenacity of the heart of an organisation – its people, and how we can move forward as one.

It's never been easy, and especially so in an unprecedented time such as this. But if 2020 has taught us anything, it is that we are all capable of so much more than we thought we were. ISCA

Jacelyn Chua is Group Business Leader, RecruitFirst Singapore.

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BY CAMBRIDGE JUDGE BUSINESS SCHOOL

FINTECH GROWTH DURING COVID-19

An Overview Of Global Performance

A GLOBAL STUDY JOINTLY AUTHORED BY THE CAMBRIDGE CENTRE FOR ALTERNATIVE FINANCE, World Bank and World Economic Forum reveals that 12 out of 13 fintech sectors have grown during the first half of 2020 compared to the same period in 2019. But that growth is uneven and firms are facing significant headwinds in operations and fundraising.

The study reveals that the global fintech industry has continued to grow amid the pandemic, with 60% of surveyed firms having either launched new products or services or revamped existing ones. However, the growth is highly uneven across business models, regions and national markets, and fintechs are still facing significant headwinds in operations and fundraising. They also signalled the need for more regulatory and governmental support in light of Covid-19. This research was supported by the UK Foreign, Commonwealth and Development Office, and Ministry of Finance of Luxembourg.

The study, which gathered data from 1,385 fintech firms in 169 jurisdictions, saw 12 out of 13 fintech sectors reporting year-on-year growth for the first half (H1) of 2020, compared to the same period in 2019, which was prior to the pandemic. On average, firms reported growth in transaction numbers and volumes of 13% cent and 11% respectively. However, the impact of Covid-19 on market performance was found to be uneven across industry sectors and geographies, and depending on the levels of economic development as well as Covid-19 stringency in a given jurisdiction.

"Fintech" definition: Encompassing advances in technology and changes in business models that have the potential to transform the provision of financial services through the development of innovative instruments, channels and systems

AREAS OF GROWTH

Digital payments, digital savings, wealthtech and digital asset exchanges, all reported year-on-year growth in transaction volumes in excess of 20%, whereas digital banking, digital identity and regtech sectors showed more modest growth increases around 10%. The only sector reporting a decline during the period was digital lending, which saw an averaged 8% decrease in transaction volumes. Digital lending, similar to bank lending, tends to be pro-cyclical. Fintechs which are facilitating digital lending also reported an averaged 6% decrease in the new loan issuance and a 9% rise in defaults on outstanding loans.

Geographically, the highest transaction growth regions were Middle East and North Africa (40%), North America (21%) and Sub-Saharan Africa (21%). This contrasts with the 13% transaction growth seen in Latin America and even slower

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growth in Europe and the Asia-Pacific region. The data also revealed that fintech markets with high-stringency Covid-19 lockdown measures averaged transaction growth 50% higher than those in low-stringency countries.

Further variations are also revealed when comparing markets of different economic advancement. In emerging markets or developing economies (EMDEs), fintech firms reported average growth in transaction numbers and volumes of 15% and 12% respectively, compared to 11% and 10% for firms from advanced economies (AEs). A growth in customer base and transactions for firms from EMDEs during H1 was balanced by larger increases in operational challenges and risks compared to AEs; firms from EMDEs were more likely to report an urgent need for regulatory support or governmental intervention.

EXTERNAL CHALLENGES

The ability of fintech firms to achieve growth and resilience, in addition to the demand-side factors, could also be partially explained by their ability to be agile and nimble in implementing changes to their existing products, services and policies. Two-thirds of firms reported making two or more changes to their products or services in response to Covid-19, with a further 30% reporting being in the process of doing so. Additionally, 92% of firms reported either having launched or being in the process of launching new products or services.

In spite of these positive growth indicators, Covid-19 is still presenting fintech firms with external risks, as well as operational and funding challenges. Forty per cent of firms surveyed indicated that they have either introduced or are in the process of introducing enhanced fraud or security measures as a response to business conditions under the pandemic. Other operational challenges reported by firms include a 4% increase in agent or partner downtime and a 6% increase in unsuccessful transactions, queries or access requests. Further, fintechs reported a 6% in expenses related to onboarding and a 9% rise in data storage expenditure.

Fintechs operating in jurisdictions with more stringent Covid-19 lockdown measures report facing more operational challenges and higher costs than firms from relatively low-stringency markets. Fintechs in high-stringency jurisdictions are considerably more likely to report agent or partner downtime (11% vs 3%), or experience unsuccessful transactions (10% vs 3%) than fintechs from low-stringency jurisdictions.

In line with these challenges, the survey also revealed that the financial position of fintech firms had come under pressure as a result of Covid-19, with more than half reporting that their capital reserves had been negatively impacted. About 40% also reported that the pandemic had negatively impacted their firms' valuation. The outlook for future fundraising showed a mixed response, with 34% indicating a negative impact, 21% reporting a positive impact and 30% reporting no change or saying it was too soon to tell.

REGULATORY RESPONSES

In terms of the regulatory responses to Covid-19, firms did report that they had been provided with some relief – 17% reported benefitting from regulatory support for e-KYC, 13% from simplified customer due diligence and 12% from support for remote onboarding. Firms also indicated that regulatory innovation initiatives had been of benefit, with 14% citing working with an innovation office and 6% participating in a regulatory sandbox. Twenty-four per cent of respondents indicated an urgent need for admission into a regulatory sandbox and 20% reported urgently needing to work with a fintech innovation office.

Other areas where firms reported the need for urgent regulatory responses related to supervision – more than half were reporting an urgent need for faster authorisation of new activities, 31% seeking more streamlined product or services approvals, 30% seeking simplified customer due diligence, 28% requiring regulatory support for remote onboarding and 26% needing less burdensome supervisory or reporting requirements.

In countries with high-stringency Covid-19 lockdown measures, 21% of firms reported currently benefitting from regulatory support for remote onboarding (compared to 15% in low-stringency countries), with a further 45% of firms in high-stringency countries reporting urgently needing this support (compared to 27% in low-stringency countries). Firms from EMDEs were also more likely to report an urgent need for regulatory support than firms from AEs – nearly half of all firms from EMDEs reported urgently needing faster authorisation or licensing for new activities, 40% urgently requiring streamlined product or services approvals and 39% urgently seeking regulatory support for e-KYC.

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> "Despite this challenging backdrop, fintechs have proven resilient and adaptable – contributing to pandemic relief efforts, adjusting operations and offerings to serve vulnerable market segments, like micro, small and medium-sized businesses, while posting year-over-year growth across most regions."
>
> **MATTHEW BLAKE**, Head of Financial and Monetary Systems, World Economic Forum

CONCLUSION

"Covid-19 is accelerating change in how people interact with financial services, which has led to unprecedented demand from developing countries to progress their transition to secure and inclusive digital finance. While it is encouraging to see the growth reported by fintechs in the study, there are also cautionary indicators that some firms are suffering a deterioration in their financial position and are concerned over their ability to raise capital in the future. This is something that the fintech community should be mindful of, given the significant economic opportunities that fintech presents," says James Duddridge MP, the UK Minister for Africa at the UK Foreign, Commonwealth and Development Office. "This study reveals a global fintech industry that has been largely resilient in spite of Covid-19. Nonetheless, its growth must be interpreted with nuance and in the context of unevenness, and the opportunities for the industry should be juxtaposed with the challenges it faces," says Bryan Zhang, Co-Founder and Executive Director of the Cambridge Centre for Alternative Finance.

"Fintech has shown its potential to close gaps in the delivery of financial services to households and firms in emerging markets and developing economies," says Caroline Freund, World Bank Global Director for Finance, Competitiveness and Innovation. "This survey shows how the fintech industry is adapting to the pandemic and offers insights for regulators and policymakers seeking to promote innovation and reap the benefits of fintech, while managing risks to consumers, investors, financial stability and integrity."

"It's clear Covid-19 has disrupted the global economy, with lasting implications for corporates and consumers," says Matthew Blake, Head of Financial and Monetary Systems, World Economic Forum. "Despite this challenging backdrop, fintechs have proven resilient and adaptable – contributing to pandemic relief efforts, adjusting operations and offerings to serve vulnerable market segments like micro, small and medium-sized businesses, while posting year-over-year growth across most regions."

"This study reveals that many fintechs have been nimble and adaptable during Covid-19 to revamp their existing products, tweak services or change firm policies," says Tania Ziegler, the Lead in Global Benchmarking at the Cambridge Centre for Alternative Finance. "A staggering 92% of surveyed respondents also reported that they have either launched or are in the process of launching products or services, which demonstrate that fintechs have to be agile to cater to the changing user base and shifts in consumer behaviours during a global pandemic." ISCA

Fintechs have been nimble and adaptable to

- revamp existing products
- tweak services
- change firm policies

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TECHNICAL HIGHLIGHTS

AUDITING AND ASSURANCE

ISCA COMMENTS ON IAASB DISCUSSION PAPER: FRAUD AND GOING CONCERN IN AN AUDIT OF FINANCIAL STATEMENTS

ISCA stressed the need for IAASB to re-look at the approach towards audit quality and in particular, at the application of professional scepticism in audits.

ISCA highlighted for IAASB to delve into: (i) Whether the underlying factors behind audit failures are isolated occurrences or if they are indicative of a more prevalent concern; and (ii) The root cause of audit failures – are they due to deficiency in audit quality or are there other contributing factors?

ISCA also provided some recommendations for IAASB's consideration: (i) Develop a framework for the application of professional scepticism in audits; (ii) Develop more robust procedures in relation to fraud; (iii) Align the determination of the auditor's audit strategy with a specific emphasis on audit quality; and (iv) Develop more robust requirements under ISA 315 (Revised).

For more information, please visit https://isca.org.sg/docs/default-source/audit-assurance/cps-cls/comment-letter---dp-on-fraud-gc-in-audit-of-fs-(isca).pdf?sfvrsn=97c4d970_2

ISCA ISSUES STATEMENT OF AUDITING PRACTICE (SAP) 2 (REVISED 2021)

SAP 2 has been enhanced to include a new section on "Confirmation on Internal Controls Required by SGX" and new illustrative auditors' report on internal controls. The enhancements are effective for reports dated on or after 1 June 2021.

For more information, please visit https://isca.org.sg/content-item?id=2e20677c-80ee-4dde-b456-98c4359dca9e

ETHICS

EFFECTIVE DATE OF EP 100 (REVISED ON 14 AUGUST 2020)

ISCA has issued EP 100 (Revised on 14 August 2020) which includes an enhanced conceptual framework, more robust safeguards provisions to address threats to fundamental principles, strengthened provisions pertaining to offering or accepting of inducements and application guidance on professional judgement and professional scepticism. EP 100 (Revised on 14 August 2020) is effective as of 1 March 2021.

For more information, please visit https://isca.org.sg/content-item?id=77cd6638-fe00-4fec-aa7f-6e9b572f4914

ACRA ISSUES CHANGES TO ACRA CODE TO ADOPT IESBA'S RESTRUCTURED CODE AND INDUCEMENT PROVISIONS

ACRA has issued changes to the ACRA Code to adopt the Final Pronouncements relating to the Restructured Code and Inducements issued by IESBA. The changes will take effect from 1 March 2021. These changes mirror ISCA's EP 100 (Revised on 14 August 2020) which was issued on 14 August 2020.

For more information, please visit https://isca.org.sg/content-item?id=34de8b20-dd4c-4ed4-b0cc-70fb4efc3110

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IESBA REVISES ETHICS CODE TO ADDRESS OBJECTIVITY OF ENGAGEMENT QUALITY REVIEWERS AND OTHER APPROPRIATE REVIEWERS

IESBA has released in January 2021, Final Pronouncement: Revisions to the Code Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers.

Revisions to the Code provide enhanced guidance to underline the importance of objectivity of an engagement quality reviewer (EQR) and other appropriate reviewers. The revisions provide guidance that supports International Standard on Quality Management (ISQM) 2 *Engagement Quality Reviews* in addressing the eligibility of an individual to serve in an EQR role.

For more information, please visit https://www.ethicsboard.org/news-events/2021-01/iesba-underlines-importance-objectivity-engagement-quality-reviewers-and-other-appropriate-reviewers

IFAC AND ICAEW RELEASE FOURTH INSTALMENT OF SIX-PART ANTI-MONEY LAUNDERING EDUCATIONAL SERIES

This publication examines asset transfers, one of the primary ways in which criminals layer or integrate the proceeds of crime into the legitimate economy.

For more information, please visit https://www.ifac.org/news-events/2021-01/ifac-and-icaew-release-fourth-installment-six-part-anti-money-laundering-educational-series

FINANCIAL REPORTING

ISCA INVITES COMMENTS ON ED FRG 3 *PREPARATION OF INTERIM FINANCIAL STATEMENTS UNDER SFRS(I) 1-34 (IN COMPLIANCE WITH THE SGX LISTING RULE 705(3A))*

Under the new SGX Listing Rule 705(3A) issued on 12 January 2021, issuers (that prepare their financial statements in accordance with SFRS(I)s or IFRS) are required to prepare their interim financial statements in accordance with SFRS(I) 1-34 *Interim Financial Reporting* or IAS 34 *Interim Financial Reporting*.

On 26 February 2021, ISCA issued Exposure Draft Financial Reporting Guidance 3 (ED FRG 3) to aid issuers in understanding the implications of Rule 705(3A) to their interim financial statements and to highlight the key areas to take note of when preparing a set of interim financial statement under SFRS(I) 1-34.

ISCA welcomes feedback/views on ED FRG 3. Comments should be received, in writing to technical@isca.org.sg, no later than 25 March 2021.

For more information, please visit https://isca.org.sg/standards-guidance/financial-reporting/open-for-comment/ed-frgs

IFRS FOUNDATION PUBLISHES EDUCATIONAL MATERIAL TO SUPPORT COMPANIES IN APPLYING GOING CONCERN REQUIREMENTS

To support companies in the assessment of their ability to continue as a going concern, the educational material titled "Going concern – a focus on disclosure" highlights relevant requirements in IFRS Standards for the assessment.

For more information, please visit https://www.ifrs.org/news-and-events/2021/01/ifrs-foundation-publishes-edu-material-to-support-companies-in-applying-going-concern-requirements/

WEBINARS: HOW CAN ACADEMICS INFORM POST-IMPLEMENTATION REVIEWS OF IFRS 9, IFRS 15 AND IFRS 16?

The IFRS Foundation has organised six webinars aimed at academics to simulate research into IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*. Research evidence will inform IASB's post-implementation reviews of these Standards.

For more information, please visit https://www.ifrs.org/news-and-events/2021/01/webinars-how-can-academics-inform-pirs-of-ifrs-9-ifrs-15-ifrs-16/

BY FELIX WONG AND ANGELINA TAN

REVVING UP FOR THE INDIVIDUAL TAX SEASON

Avoiding Common Errors For This Year's Tax Filing

A COMPANY IN THE FRAGRANCE BUSINESS gives a bottle of perfume valued at $200 to its employees as recognition for their work performance. Is the perfume taxable from the employee's perspective? The answer is yes.

"It is a common misconception that benefits are not taxable as long as the value does not exceed $200," shared officers from Inland Revenue Authority of Singapore (IRAS) at a recent webinar organised by the Singapore Chartered Tax Professionals. "Awards given in recognition of work performance, whether in cash or otherwise, are fully taxable."

COMMON TAX REPORTING ERRORS TO AVOID

Making tax reporting errors can be costly for employers, as IRAS may impose penalties on incorrect tax returns. Some common tax reporting errors made by employers are highlighted below.

For employers under the auto-inclusion scheme

Under the auto-inclusion scheme (AIS) for employment income, employers submit yearly employment income information of their employees to IRAS electronically. The submitted information is then automatically included in the employees' income tax assessment.

Omission of income

While most employers under the AIS have no issues reporting the income that they pay to their employees, they may omit the remuneration (such as bonuses and part of salaries) paid by their overseas related companies directly to their employees, or the contributions made to employees' overseas pension funds, in their tax reporting. Such omissions may arise from the lack of transparency on payments made outside Singapore by the overseas related companies directly to the employees.

To avoid the omission of income, employers need to check that the remuneration information attained from their overseas related companies (where applicable) is complete, so that all gains and profits derived by employees due to their employment, regardless of whether they were paid or payable to the employees in or outside Singapore, are reported.

Tax treatment errors

It is not uncommon to find employers applying the wrong tax treatments due to outdated tax knowledge. For example, home leave passages provided to expatriates, their spouses, and children since Year of Assessment (YA) 2018, have become taxable in full. However, instead of reporting the actual costs incurred, some employers continue to declare the taxable value of home leave passage as 20% of the cost of passage (based on the previous tax concession that is no longer applicable), leading to the tax treatment errors. To avoid such errors, it is important for employers to keep abreast of tax developments and ensure that the company's systems and processes are in line with current tax treatments.

Tax reporting errors

One of the common tax reporting errors for employers under the AIS springs from the non-conversion of income in foreign currency into Singapore dollars. An example is the reporting of gains from employee share option plans (ESOP) or employee share ownership plans (ESOW) granted in foreign currency in the Form IR8A and Appendix 8B, without first converting them into Singapore dollars.

Such errors typically arise from the lack of proper controls (for example, the accuracy of income information is not verified by the management) or may simply be an oversight. Income in foreign currency should be converted into Singapore dollars for reporting using the exchange rates data available in the Monetary Authority of Singapore's website.

Computational errors

Employers may at times make computational errors and understate (or overstate) the value of the taxable benefits provided to their employees. Such errors may arise from a lack of proper controls (such as the company failing to verify the accuracy of the computation prepared by external service providers), or a lack of supporting documents to substantiate the computation. For example, an external service provider may have applied the wrong leased period for the car when computing car benefits, or the company is unable to pick up on the error due to the lack of supporting documents. To minimise computational errors, the company should ensure that all relevant information and supporting documents are readily available prior to computing an employee's taxable benefits.

Watch out!

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Omission of income

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Tax treatment errors

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Tax reporting errors

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Computational errors

While most employers under the AIS have no issues reporting the income that they pay to their employees, they may omit the remuneration (such as bonuses and part of salaries) paid by their overseas related companies directly to their employees, or the contributions made to employees' overseas pension funds, in their tax reporting.

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For commission-paying companies under the pre-filling scheme

Errors commonly made by commission-paying companies include the omission of income (specifically, incentives and trainer's fees) and incorrect tax reporting in clawback situations.

Omission of incentives and trainer's fees

There is a common misconception among commission-paying companies that certain incentives need not be reported as part of an agent's income (as they are not directly related to the production of commission income). Commission-paying companies should note that incentives (such as cash awards, overseas incentive trips, and childcare subsidy to recruit and retain working mothers) provided to agents, either to motivate them to excel in the marketing of the agencies' products or reward them for meeting certain sales targets, are connected to the performance or services of the agents. Accordingly, such incentives are taxable as gains and profits arising from the trade, business, profession, or vocation carrying on by the agents.

On the other hand, there are certain payments or items provided to agents that are not intended to be incentives and have no connection with the performance or services of the agents and, as such, would not be taxable. Likewise, payments or items provided for the fostering of goodwill and relationship between agent and agency (such as door gifts and prizes provided during team-bonding events), or provided for the purpose of identification with the agency or are necessary for their business (such as letterheads and stationery), are generally not taxable.

Incorrect tax reporting in clawback situations

Some agents are provided with sign-on incentive bonuses which have to be repaid fully or partially if certain targets are not met. Such sign-on bonuses are taxable at the point the full payment is made. In the event that an agent does not meet his targets and there is a subsequent clawback of his bonus, the commission-paying company is required to report all commission income received by the agent in the year (instead of offsetting the bonus being clawed back against the commission income the agent earned). The agent can then claim the amount being clawed back as a deduction in the year of the clawback.

Watch out!

Omission of incentives and trainer's fees

Incorrect tax reporting in clawback situations

For sole proprietorships and partnerships

Tax reporting errors commonly associated with sole proprietorships and partnerships are the claiming of tax deduction on excessive remuneration paid to related parties, private expenses, and estimated expenses.

Claiming excessive remuneration paid to related parties

Sole proprietorships and partnerships may sometimes claim tax deduction on excessive salary, bonus and commission paid to related parties (for example, family members) due to their misconception that the full amount is allowable for tax deduction since there is an employment relationship with the related parties and the payments are incurred for business.

Tax deduction would be allowed to the extent that the amount of remuneration commensurates with the actual services performed (such that it is in line with market rate or industry norms based on the scope of duties and working hours). However, if the sole proprietorship or partnership would not pay an independent employee with the same qualification and experience performing the same service the amount that it is paying its related party, the amount paid to the related party is likely to be excessive. Tax deduction would not be allowed on the excess remuneration.

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Sole proprietorships and partnerships should also be mindful to claim only expenses incurred for the business and exclude any private and domestic expenses (such as food and household expenses, personal memberships and subscriptions, and insurance premiums taken up for self and family).

Claiming private and domestic expenses

Sole proprietorships and partnerships should also be mindful to claim only expenses incurred for the business and exclude any private and domestic expenses (such as food and household expenses, personal memberships and subscriptions, and insurance premiums taken up for self and family). It is critical for sole proprietorships and partnerships to be disciplined and maintain proper record-keeping of their business expenses.

Watch out!

Claiming excessive remuneration paid to related parties

Claiming private and domestic expenses

Claiming estimated expenses

Claiming estimated expenses

Expenses can only be claimed based on actual amounts incurred, and not on estimates. In this regard, sole proprietorships and partnerships should maintain effective record-keeping practices to prevent the misplacement of documents or non-timely update of transactions. The best practice for record-keeping is to maintain a full and complete physical or digital record of income and expenses (such as invoices, receipts, vouchers, bank and credit card statements, bills, cheques, proof of payments and other documentary evidence).

COVID-19 TAX GUIDANCE

As the YA 2021 individual tax-filing season draws near, employers should take note of the following Covid-19 tax guidance:

Employment benefits for accommodation, food, transport and daily necessities

Due to movement restrictions imposed within and across borders arising from the Covid-19 pandemic, employers may provide accommodation and other benefits to affected employees. A tax exemption has been granted on qualifying benefits given to employees in the calendar year 2020, subject to conditions and a cap on the amount of exemption. Qualifying benefits that are eligible for the tax exemption include cash allowance, reimbursement or benefits-in-kind for accommodation, food, transport, and daily necessities for the employees' use and consumption in Singapore.

Working remotely from Singapore due to Covid-19

For a Singapore Citizen or Singapore Permanent Resident who is exercising overseas employment, but is now working remotely from Singapore for his overseas employment due to Covid-19, IRAS is prepared to treat the person as not exercising an employment in Singapore for the period from the date of his return to the date of his departure from Singapore in 2020, or up to 30 June 2021, whichever is earlier, provided certain conditions are met.

For a smoother individual tax-filing season (and the many seasons ahead), employers need to, first and foremost, put in place a robust payroll process and have good internal controls to ensure accurate and complete employees' income information is transmitted to IRAS. This would help avoid unnecessary tax reporting errors which may result in penalties being imposed. It is also a good practice for employers to conduct regular reviews of their internal controls and where reporting errors are discovered, voluntarily correct these errors in a timely manner for reduced penalties. ISCA

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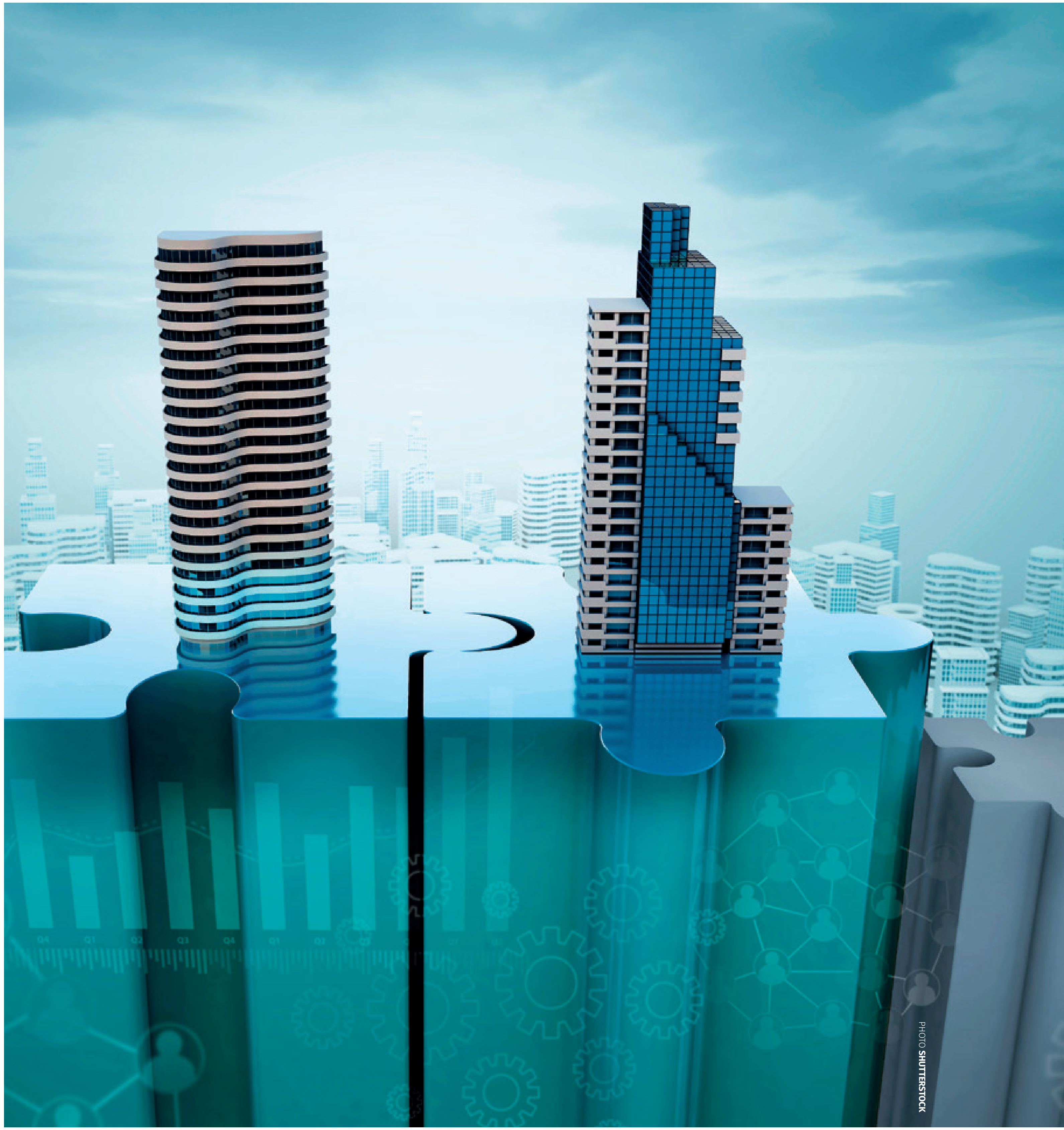


BY PEARL TAN, LIM CHU YEONG AND TRACEY ZHANG

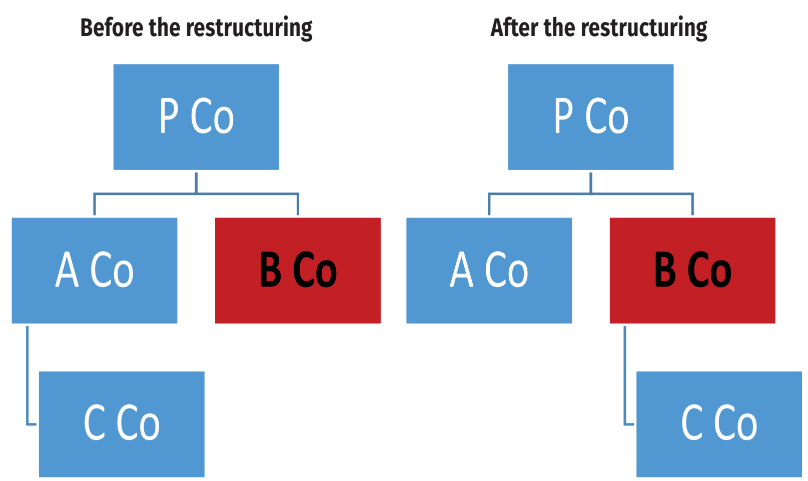
DON'S COLUMN

BUSINESS COMBINATIONS UNDER COMMON CONTROL (PART 1)

Understanding its Accounting Implications

IN NOVEMBER 2020, the International Accounting Standards Board (IASB) presented its preliminary views on business combinations under common control (BCUCC) in a Discussion Paper for public comment. Accounting for BCUCC remains a significant gap in financial reporting standards leading to a wide diversity of accounting practices. International Financial Reporting Standard (IFRS) 3 *Business Combinations* excludes from its scope, business combinations that involve entities under common control. A BCUCC is defined as a business combination in which the combining entities are ultimately controlled by the same party (or parties) both before and after the combination and the control is not transitory.[1] Restructuring of investment holdings within a group typically leads to BCUCC arrangements (Figure 1).

Figure 1 An example of business combination under common control: B Co is the receiving entity



In Figure 1, A Co sells C Co to B Co, the receiving entity. A Co, B Co and C Co are subsidiaries of P Co both before and after the restructuring and the control by P Co is not transitory.

Given the scope exclusion of IFRS 3, of particular concern is the accounting method applied by the receiving entity (the party that acquires other entities in a BCUCC, for example, B Co in Figure 1) in its consolidated financial statements.[2] The predecessor method, which will be described later, is by far the most common method applied. For example, in Singapore, the Statement of Recommended Accounting Practice (RAP) 12, issued by The Council of the Institute of Singapore Chartered Accountants (ISCA), formerly known as the Institute of Certified Public Accountants of Singapore, states that "many entities consider that merger accounting is an appropriate accounting policy for common control combinations".[3] The predecessor method is also known as merger

[1] IFRS 3 Business Combinations, International Accounting Standards Board, January 2008, Appendix B, paragraph B1.

[2] The accounting for BCUCC on the separate financial statements presents interesting challenges but it is not in the scope of this article for purposes of brevity and focus.

[3] RAP 12, Merger Accounting for Common Control Combinations for financial statements prepared under Part IX of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, ISCA, 2006, paragraph 4.

In most intra-group dealings, there is a certain degree of flexibility in resource allocation that is not commonly found in dealings with independent parties. Companies should take advantage of this to simplify their accounting.

accounting. The presumption is that no acquisition has occurred and the risks and benefits that existed prior to the business combination continues with the controlling party.

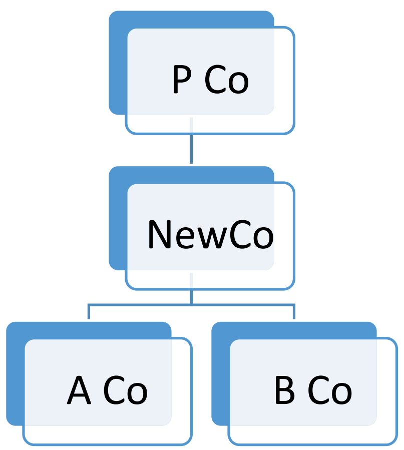
A study examining all the BCUCC on the Hong Kong Stock Exchange from 2013 to 2015 finds that 88% (100 combinations) applied the predecessor method while the remaining 12% (13 combinations) applied the acquisition method (HKICPA, 2019).[4] Typically, all things being equal, the receiving entity, in the absence of a standard, is likely to choose the predecessor approach because it is simpler to apply with no requirement to recognise and measure identifiable net assets acquired at fair values and the resulting goodwill. The consequential impact on income is more benign under the predecessor method as there is no need to test for impairment of goodwill or to expense off fair value uplifts on identified net assets.

In this article, we explain the nature of a BCUCC and the two common accounting methods that are typically used. In the second article, we propose that the motivation and commercial substance of a BCUCC with its consequential impact on the cashflows of the receiving entity should be considered so as to provide information that is relevant to the external stakeholders, including non-controlling interests of the receiving entity.

IDENTIFYING A BCUCC

The BCUCC must first qualify as a business combination where an acquirer obtains control of one or more businesses.[5] Against this definition, some group restructuring arrangements do not qualify as business combinations. Examples include mergers of subsidiaries with the same parent or addition of a new "shell" company as the intermediate parent to subsidiaries of the same ultimate parent (Figure 2). These arrangements do not qualify as business combinations because there is no "acquirer" *per se*. However, they can be described as "transactions" under common control. The BCUCC label is therefore restrictive and does not accommodate the broader spectrum of "group restructurings"[6] that may have the characteristics of common control without necessarily being a "business combination". Standard-setting activity on common control may need to have a broader scope to include common control transactions that are not business combinations in the narrow sense.[7]

Figure 2 Addition of a new intermediate parent (NewCo)



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To be a BCUCC, control before *and* after the business combination must not be transitory. However, what is "transitory" is a matter of subjective interpretation given the absence of quantitative thresholds in IFRS 3. Of greater significance is to understand the principle that underlies the "transitory" requirement: control has to be "common" across time. If control only exists *either* before *or* after a business combination, the condition of control across time is not met. Further, control before and after the business combination must not be transitory. This criterion is necessary to prevent structuring of transactions as BCUCC to circumvent acquisition accounting of IFRS 3.

Consider an example. An ultimate parent company P Co sells its subsidiaries A Co and B Co to a third newly incorporated subsidiary NewCo who settles the purchase with monies

raised from its initial public offering (IPO). After the IPO, P Co loses control of NewCo and its subsidiaries. Such a transaction would not qualify as common control under IFRS 3 because P Co's control of A Co and B Co after the divestment is transitory. Instead of being a common control transaction, it is a loss of control for P Co and a gain of control for NewCo.

In some cases, the control *before* the business combination may be transitory.[8] For example, assume that P Co acquires a controlling interest in B Co and sells B Co to another subsidiary A Co almost immediately after the acquisition of B Co. P Co has control of B Co only temporarily before selling B Co to A Co. The control of P Co over B Co before the sale is transitory. The transitory holding before the business combination disqualifies the transaction from classification as a BCUCC in the consolidated financial statements of A Co. A Co would have to apply acquisition accounting in its consolidated financial statements. Hence, the duration of control before and after a business combination is a critical factor in identifying a BCUCC. Future standards on BCUCC may do well to provide clearer guidance on the concept of "transitory control" and provide specific criteria. However, it is possible to infer if control is transitory or not from the motivations for setting up a BCUCC arrangement. Hence, it is necessary to understand the economic reasons for the BCUCC. The next article explains the relationship between the motivation and transitory nature of control.

TWO ACCOUNTING MODELS FOR BCUCC

As BCUCC is not in the scope of IFRS 3, this gives rise to a variety of accounting practices. The focus of our article is the evaluation of each method from the perspective of the receiving entity. Two main models are the predecessor method of accounting and the acquisition method. The predecessor method of accounting presupposes that BCUCC has no commercial substance from the perspective of the ultimate parent company.[9]

The predecessor basis of accounting is a historical cost approach that combines the assets and liabilities of the transferor and transferee at their carrying values in the consolidated financial statements of their ultimate parent company prior to the BCUCC. Any goodwill and non-controlling interests recognised arise from the original acquisition of one entity by the ultimate parent company from third parties. No additional goodwill or non-controlling interests are recognised subsequent to the acquisition of control from third parties. At the date of acquisition under common control, non-controlling interests are measured at proportional share of book values of related net assets. Results are consolidated for the full year as in merger accounting. While the philosophy of the predecessor method supports the view from the ultimate parent company, one has to question its relevance to the receiving entity.

[4] Hong Kong Institute of Certified Public Accountants (HKICPA). 2019.

[5] IFRS 3, Appendix A.

[6] There is currently no formal definition of "group restructurings" in accounting standards.

[7] For example, in Agenda Paper 23 (October 2017), IASB recommended that the Board include common control transactions within the scope of the BCUCC project, regardless of whether the acquirer can be identified under IFRS 3.

[8] This point was noted by IASB staff in Agenda Paper 23B (December 2017) where control is transitory in a scenario "where the combination is preceded by an external acquisition rather than followed by an external sale".

[9] P. Tan, C.Y. Lim and E.W. Kuah. *Advanced Financial Accounting: An IFRS Standards Approach* (4th edition). McGraw-Hill 2020, p.1150.

Predecessor vs acquisition method of accounting: Which one to use?

The acquisition method of accounting is the method required by IFRS 3 for business combinations. This method, when applied to a BCUCC, assumes that the BCUCC is similar in substance with business combinations with unrelated parties. The acquisition method requires all identifiable assets and liabilities to be recognised (subject to recognition criteria in IFRS 3) and measured at fair value. Goodwill is the residual and is measured as the excess of the sum of fair value of consideration transferred, fair value of non-controlling interests and fair value of previously-held interests over the fair value of net identifiable assets acquired. Non-controlling interests are measured at either full fair value or a proportion of the acquiree's fair value on net identifiable assets. The profit/loss of combining entities is included from the date of BCUCC, and there is no restatement of comparatives.

The argument behind the use of predecessor basis of accounting is that BCUCC only involves redefining the boundaries of entities within the group (EFRAG, 2011, paragraphs 24, 37).[10] A business combination within IFRS 3 requires identification of an acquirer and an acquiree. It is difficult to identify an acquirer because the transaction is not initiated by any of the combining entities. Instead, the ultimate parent has unilateral ability to decide the acquiring entity and the nature and terms of the arrangements. The choice of acquirer by the ultimate parent company may be motivated by reasons other than economic ones.

Supporters of the predecessor method of accounting argue that the recognition of additional goodwill and fair value/book value differences may not present a neutral and faithful depiction of a BCUCC arrangement, which is typically not market driven. This method provides relevant information by showing the comparative results as if the BCUCC had been applied from the start. In this article, we suggest that measurement issues should not override the primary consideration of evaluating the commercial substance of the arrangement. The motivation for a BCUCC may suggest a fact pattern that the acquisition changes the amount, timing and uncertainty for the receiving entity.

The other school of thought is that the principles in IFRS 3 apply to any acquisition whether with a related or unrelated party. If one entity obtains control of another entity, even if both entities are part of the same group, the receiving entity should apply the acquisition method. This view emphasises the identity of the receiving entity as a separate reporting entity from that of its ultimate parent. By analogy, the accounting for a purchase of a subsidiary is similar to the accounting for an intra-group transaction. While these are eliminated at the ultimate parent's consolidation, they are shown as third-party transactions in the consolidated financial statements of the sub-group. This perspective emphasises the significance of each reporting entity as having its own identity regardless of its owners. While there is no change in the ultimate parent company, there is a change in control from the perspective of receiving entities involved in the BCUCC.

CONCLUSION

We propose that BCUCC accounting for the receiving entity should be delinked from the accounting method applied to the ultimate parent. BCUCC accounting should take into account the primary motivations for the arrangement, its commercial substance and the impact on the cashflows of the receiving entity. It is only after understanding the economics of the arrangement that we can establish if and whether there is an impact on the receiving entity and its subsidiaries before and after the business combination. The absence of arms-length pricing complicates the measurement process but should not be the basis to determine the accounting method for a BCUCC. Look out for our next article in the April issue, where we will further the discussion. ISCA

Part 2 of this article explains how a proposed framework may take into account the motivation for a BCUCC, its commercial substance and the impact on shareholder information in prescribing the appropriate accounting method.

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[10] European Financial Reporting Advisory Group (EFRAG). 2011. "Accounting for Business Combinations under Common Control", October 2011.

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