SEPTEMBER 2021

IS Chartered Accountant Journal

● focus
PREPARING INTERIM FINANCIAL STATEMENTS UNDER SFRS(I) 1-34
Navigating Towards Quality Financial Reporting

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

High Standards, Exemplary Service; The Power Of One And All

Dear members,

IN THE ACCOUNTANCY PROFESSION WHERE HIGH STANDARDS AND EXEMPLARY SERVICE DELIVERY ARE SYNONYMOUS, our members are expected to be professional in all their dealings with their employers and clients. To be able to consistently do this, members need to be proficient in their knowledge of professional standards such as financial reporting standards, among other qualities. It is also imperative that they can apply and implement the standards in practice, to fulfil the regulatory requirements. And, significantly, it all starts with the professionalism of one committed individual, working in tandem with like-minded professionals.

The Institute prepares members for impending standards and other regulatory requisites in advance of the implementation date to help them achieve a smooth transition. However, as interpretation and application of the standards are not always straightforward, we continue with post-implementation support to help members address the implementation issues that arise. As a case in point, ISCA issued Financial Reporting Guidance 3 *Preparation of Interim Financial Statements under SFRS(I) 1-34 Interim Financial Reporting (in compliance with the SGX Listing Rule 705(3A),* to guide listed companies in their preparation of interim financial statements in accordance with the prescribed financial reporting standards. At the ISCA PAIB Conference in August, the new Listing Rule 705(3A) was also the topic of a panel session. The cover story, "Preparing Interim Financial Statements Under SFRS(I) 1-34" has the highlights.

The power of one person's commitment towards exemplary service delivery is also reflected in the Member Profile column. Associate (ISCA) Harmony Tee is Founder and Funeral Director of Harmony Funeral Care. Her age (28) and her gender make her an anomaly in the funeral services trade. Read about how the Gen Z digital native converted the naysayers, swayed perceptions about the "taboo" subject of death, and injected a modern edge to a very traditional business with deep-steeped practices.

Today's complex business world needs people who can make a difference and accountants, with their breadth of skills, commitment to ethics and global expertise, are infinitely qualified for the role. The Institute's latest brand campaign, which exhorts employers to "Choose a Difference Maker. Choose a Chartered Accountant.", is an unequivocal endorsement of the high standards and value that a chartered accountant brings. In addition to campaigns, accolades also serve to elevate ISCA's brand image. I am pleased to share that ISCA's 2020/2021 Annual Report has won two global awards – the Gold award for design excellence in the 2021 Hermes Creative Awards, and the Gold award in the 2021 International Annual Report Competition (ARC) Awards for excellence in design and quality of content presentation. Such honours help to raise the visibility and credibility of the ISCA brand among an international audience.

This theme – the power of one and all to deliver excellence – is daily replicated across industry and community. From the fight against COVID-19 to the teamwork we see at work and elsewhere, cooperative efforts are so much an integral part of life that we may not always notice them. But for 53 ISCA members, the difference they have made has been recognised at the National Day Awards 2021. On behalf of the Institute and management team, I would like to extend our heartfelt congratulations to the recipients of the Awards.

To the many members who are serving others in various ways, such as sharing their professional expertise with the finance or management teams of non-profit or grassroots organisations, or through ISCA Cares, keep it up. Remember, every one of you has the power to make a difference.

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

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technical excellence

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ESG Disclosures A Growing Risk and Opportunity

REGULATORY RISK RELATED TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) disclosures has rapidly risen to the second overall position in the latest Emerging Risks Monitor Report by Gartner, Inc. "The survey data partly reflect a global inflection point as ESG disclosures move from voluntary to required," said Matt Shinkman, Vice President, Gartner Risk and Audit Practice. "The major move towards the top of executives' concerns suggests many organisations might be playing catchup to this incoming reality." ESG regulatory requirements was ranked second in 2Q21 even though it did not make it to the top five risks in 1Q21, which still mostly reflected pandemic-related concerns. Cybersecurity control failures remained as the top risk among respondents in 2Q21.

Investor pressure related to ESG disclosures is not a new concern for executives, but established regulatory frameworks are only just beginning to become effective in some jurisdictions. The UK has become the first country to require companies to report on climate change, with the EU adopting a universal classification system. Major Australian banks and insurers are publishing the first comprehensive climate change reporting framework. Singapore introduced sustainability reporting on a "comply or explain" basis for listed entities from the financial year ending on or after 31 December 2017 but without specifying any particular framework for them to follow.

PHOTO SHUTTERSTOCK

Organisations will likely be faced with a patchwork of requirements until clear global standards emerge. As such, "ESG can present organisations and their enterprise risk management teams with opportunities related to being an early adopter in this space, potentially attracting new investors and ultimately reducing the cost of capital," said Mr Shinkman.

Top five risks: 2Q21 vs 1Q21

	2Q21	1Q21
1	Cybersecurity control failures	Cybersecurity control failures
2	**ESG regulatory requirements**	The new working model
3	Remote talent management	Remote talent management
4	Organisational culture degradation	Organisational culture degradation
5	Supply chain disruption	Strategic corrections

Source: Emerging Risk Monitor Report, published in August and April 2021 respectively, by Gartner, Inc.

Singapore and climate reporting

In Singapore, the Monetary Authority of Singapore already expects all banks, insurers, and asset managers to make climate-related disclosures from June 2022, in accordance with well-regarded international reporting frameworks, such as the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. The Singapore Exchange will soon consult the industry on making climate-related reporting in line with the TCFD recommendations, according to Ravi Menon, Managing Director, Monetary Authority of Singapore (MAS). The consultation will focus on how to transition these expectations into legally binding requirements against a single, internationally aligned standard. Mr Menon was speaking at the launch of the inaugural MAS Sustainability Report on 9 June 2021.

MARK YOUR CALENDAR

20 SEP

Change Management in your Organisation

Change management prepares and equips you to initiate and sustain change so that you can drive new organisational direction and objectives. Learn to:

- Recognize the need for and benefits of change
- Appreciate Kurt Lewin 3-phase change model
- Identify Kurt Lewin's driving and restraining forces
- Implement 8 steps for change management

24 SEP

GST: Self Managing GST Risks through ASK

This programme aims to share the insights of ASK, so that be better prepared and stayed ahead of this situation while choices of products to self-manage GST risks are still open for consideration.

27 SEP

Best Practices in Countering Trade-Based Money Laundering

IBF FTS Funding approved

Have an understanding of how money launders and terrorists can make use of international trade to transfer funds (remittances) legitimately.

01 OCT

Understanding and Managing Emerging Technologies

This course focuses on building foundational knowledge so that participants will gain an appreciation of the topic and the limitations of these new technological development.

Participants will be exposed to useful concepts that will help widen the horizon and understanding of the new digital economy and workplace. It will also enhance the effectiveness of communication and appreciation between the participants and the IT/analytics team when collaborating on digitisation projects.

13 OCT

ISCA Breakfast Talk - Transforming Your Finance Function by Leveraging Process Change and New Technologies

As the finance function transitions to its role as a strategic business partner, there is increasing demand for the finance system to be more integrated, agile, and transparent with streamlined and efficient processes. With continued disruption to work environments, it is critical to establish a flexible financial close and robust planning process.

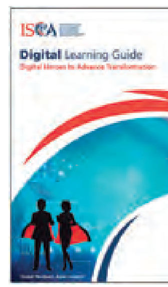
You will explore how process changes and finance technology can be used to optimize the financial close and planning processes to unlock innovation and transformation within the organization.

28 OCT 2021 | Practitioners Conference

At the Lead of Change

This year's Conference emphasises the role of auditors as leaders in the face of change, and the need to respond to change quickly to continuously bring value to stakeholders. Covid-19 provoked fundamental changes and shifts, shaking up historical norms, and inspired new business and operating models. The profession needs to move faster than the change in the business environment and be a partner to businesses' change agenda. The Conference will also drive the important theme of audit quality, an important core of the audit profession.

Find your fellow auditors and register together to enjoy group discount:
https://isca.org.sg/PC2021



NEW!

Digital Learning Guide

Explore the 5 areas to advance digital transformation. Match your role from 12 possible digital superhero roles. Which one are you? Find out more!

Download the Digital Learning Guide at
https://bit.ly/3ysFTi7

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

Singapore Raises GDP Growth Forecast To 6%–7%

SINGAPORE'S 2021 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST HAS BEEN REVISED TO BETWEEN 6% AND 7%, up from an earlier forecast of 4% and 6%, according to the Ministry of Trade and Industry (MTI).

GDP grew 14.7% year-on-year in the second quarter, faster than the 1.5% growth in the first quarter. The strong growth was largely due to the low base in the same period last year, when GDP fell by 13.3% as a result of the circuit-breaker measures implemented from 7 April to 1 June 2020, as well as the sharp fall in external demand amid the COVID-19 pandemic. In absolute terms, GDP remained 0.6% below its pre-pandemic level in the second quarter of 2019. On a quarter-on-quarter seasonally-adjusted basis, the Singapore economy contracted 1.8% in the second quarter of 2021, a reversal from the 3.3% expansion in the first quarter.

Since MTI's update in May 2021 when it had maintained a growth forecast of 4% to 6%, although COVID-19 cases have continued to rise globally, vaccination rates have also picked up in key advanced economies such as the United States (US) and Eurozone, which in turn allowed them to press on with their reopening plans despite an uptick in infection numbers.

By contrast, regional economies which have been slow to vaccinate their populations have had to reimpose restriction measures to curb a resurgence in infection numbers. This has in turn dampened their growth outlook. On balance, the recovery in external demand for Singapore for the rest of the year remains largely on track, says MTI.

PHOTO SHUTTERSTOCK

The Eurozone economy is also projected to see a faster pace of recovery in the second half of 2021. The strong pickup in vaccine deployment in recent months has led to a quicker-than-expected resumption in business activity.

Key external economies

According to an MTI statement released in early August, in the US, the pace of economic growth is expected to pick up in the second half of 2021. Continuing improvements in labour market conditions, along with elevated savings due to the disbursement of fiscal stimulus cheques, will bolster personal consumption expenditure which will, in turn, support the US economic recovery. The Eurozone economy is also projected to see a faster pace of recovery in the second half of 2021. The strong pickup in vaccine deployment in recent months has led to a quicker-than-expected resumption in business activity. This has resulted in an improvement in business sentiments and employment expectations, which will support a rebound in domestic demand.

In Asia, China's growth is expected to ease in the second half of 2021 on the back of a moderation in investment growth amid weaker base effects and credit conditions. The latest COVID-19 outbreak could also weigh on the recovery of consumption in the near term as restrictions have been imposed to contain the virus. In Japan, the pace of economic recovery is projected to quicken in the second half of 2021. While the reimposition of a state of emergency in Tokyo and Okinawa to slow the spread of the virus is expected to weigh on domestic consumption in the near term, strong external demand will continue to support growth. Growth in the key Southeast Asian economies in the second half of 2021 is likely to be slower than earlier projected. In particular, the recovery in domestic demand in countries such as Malaysia, Indonesia and Thailand are expected to be dampened by the tightening of restrictions to contain the surge in COVID-19 infections, although external demand should lend some support to their GDP growth.

At the same time, downside risks in the global economy remain. These range from the continued uncertainty surrounding the trajectory of the pandemic to continued geopolitical issues involving the major economies, as well as inflation and interest-rate risks that could hamper economic recovery.

Domestic prospects

Domestically, the performance of the Singapore economy in the first half of 2021 was stronger than expected. The COVID-19 situation has stabilised and the country's vaccination programme continues to make good progress. Barring any unforeseen surge in infection numbers, Singapore is on track to transit to COVID resilience, where COVID-19 is endemic and considered a part of life.

Global economic outlook

The global economy is projected to grow 6.0% in 2021 and 4.9% in 2022, according to International Monetary Fund (IMF)'s July 2021 World Economic Outlook (WEO). The 2021 global forecast is unchanged from the April 2021 WEO but has offsetting revisions. Prospects for emerging market and developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies has been revised upwards. These revisions reflect pandemic developments and changes in policy support.

Separately, the World Bank's June 2021 Global Economic Prospects has pegged the global economic growth at 5.6% in 2021 – the fastest post-recession pace in 80 years – in part underpinned by steady but highly unequal vaccine access; the forecast is also based on the strong rebounds from a few major economies, most notably the US. In many emerging market and developing economies, elevated COVID-19 case loads, obstacles to vaccination, and a partial withdrawal of macroeconomic support are offsetting some of the benefits of strengthening external demand. By 2022, global output is expected to remain about 2% below pre-pandemic projections, according to the World Bank.

National Day Awards 2021

The Singapore National Day Awards are a means of recognising various forms of merit and service to our nation. This year, a total of 5,710 individuals in 21 award categories received the National Day Honours.

ISCA is proud to share that 53 of our members were conferred awards, including ISCA President Kon Yin Tong, who received The Public Service Medal.

On behalf of the Institute, Mr Kon and the management would like to extend their heartfelt congratulations to all the award recipients.

The Distinguished Service Order

MR BENNY LIM SIANG HOE
Chairman, National Parks Board
Ministry of National Development

The Public Service Star (Bar)

MR SARJIT SINGH S/O SARMUKH SINGH *BBM*
Member, Central Singapore CDC

MRS FANG AI LIAN NEE HO *PBM*
Chairman, MediShield Life Council
Ministry of Health

The Public Service Star

MR TIEW CHEW MENG *PBM*
Member, South West CDC

MR HENRY YEO WEE HENG
Chairman, Board of Visitors (Women's Charter)
Ministry of Social and Family Development

The Public Administration Medal (Silver)

MS LEE LIH JIUAN
Group Director
Auditor-General's Office

PROF KOH HIAN CHYE
Director, Business Intelligence & Analytics
Singapore University of Social Sciences
Ministry of Education

MS CHIA LI HWEI
Director, Finance & Administration Department
Temasek Polytechnic
Ministry of Education

MDM LEE MEI CHERN
Director (Performance & Evaluation)
Performance & Evaluation Directorate
Ministry of Finance

The Public Administration Medal (Bronze)

A/PROF DARREN KOH NGIAP THIAM
Associate Professor, Vice Dean
Head (Law & Master of Taxation Programme), School of Law
Singapore University of Social Sciences
Ministry of Education

A/PROF LOW KIN YEW
Associate Dean (Undergraduate Academic)
College of Business (Nanyang Business School)
Nanyang Technological University
Ministry of Education

MS KUM WAI KUAN
Director (Strategic Finance & Administration), Dean's Office
NUS Business School
National University of Singapore
Ministry of Education

MDM LOH EE LING
Deputy Director
Finance Division
Decision Support & Financial Analysis Department
National Environment Agency

MR VINCENT LEONG YEW HONG
Director
Finance Division
Ministry of Trade and Industry

MR ROBIN LEE ENG TECK
Chief (Digital Transformation Office)
Corporate Affairs
Corrupt Practices Investigation Bureau
Prime Minister's Office

The Commendation Medal

MR CHOY HONG YEEN
Deputy Director
Auditor General's Office

MR SEAN LEE YONG TECK
Assistant Director (Strategic Financing)
Finance Division
People's Association
Ministry of Culture, Community and Youth

MS LEE YUEH WUN
Deputy Director, Audit Assurance Group 1
Internal Audit Department
Ministry of Defence

MS GILLIAN TAN
Senior Manager
Department of Finance
Singapore Polytechnic
Ministry of Education

MS WONG SUAY PENG
Senior Lecturer of Accounting
School of Accountancy
Singapore Management University
Ministry of Education

MS CHNG LAY KHIM
Senior Associate Director
Office of Finance
National University of Singapore
Ministry of Education

MS CHONG CHEE YOON KATHERINE
Deputy Director, Compliance
VITAL
Ministry of Finance

MS ANG HUI HUANG
Director, Finance Data & Analytics
Accountant-General's Department
Ministry of Finance

MS TEO LEAN WHEE
Assistant Director, Finance
Corporate Services Group
Health Sciences Authority
Ministry of Health

MS LIM SOH TEE EUNICE
Director, Finance Division
KK Women's and Children's Hospital
Singapore Health Services
Ministry of Health

MS LEE SOCK GEK
Deputy Director, Finance Division
National Neuroscience Institute
Singapore Health Services
Ministry of Health

DSP (1) TAN JIANRONG
Head, Singapore Police Force
Ministry of Home Affairs

MS TAN GEOK MOOI
Principal Accountant
Administration & Accounting Department
Estate Administration & Property Group
Housing & Development Board
Ministry of National Development

MDM TAN LI MEI, VANESSA
Assistant Director, Finance Division
Budget and Resource Planning Department
National Environment Agency
Ministry of Sustainability and the Environment

MR JOSEPH CHUNG JEE YAT
Deputy Director, Audit & Advisory Division
JTC Corporation
Ministry of Trade and Industry

The Public Service Medal

MR ROBIN NG CHENG JIET
Assistant Treasurer, Ulu Pandan CCC
Holland-Bukit Timah GRC

MR WONG JIN FENG
Chairman, Nee Soon Link CCC
Nee Soon GRC

MR LING TOK HONG
Patron, Telok Blangah CCC
West Coast GRC

MR PRAKASH KUMAR HETAMSARIA
Chairman, West Coast CSC
West Coast GRC

MR LIAN WEE CHEOW
Board Member, Singapore International Foundation
Ministry of Communications and Information

MR KON YIN TONG
Chairman, SportSG
Ministry of Culture, Community and Youth

MR NICKY TAN NG KUANG
Former Board Member
National University Health System Pte Ltd
Ministry of Health

MS WONG KOK YEE
Member, Singapore Anglican Community Services
Ministry of Social and Family Development

The Efficiency Medal

MS TEY MUI HEE IVY
Manager, Costing Analysis, HQ Finance
National Healthcare Group
Ministry of Health

MS RINNA YIP SEOK FOON
Senior Accountant, Finance
SingHealth Polyclinics
Singapore Health Services
Ministry of Health

The Long Service Medal

MS LIM LEE CHOO PAULINE
Deputy Director
Internal Audit Department
Ministry of Defence

MR ONG KAH HENG JEFFREY
Deputy Director
Internal Audit Department
Ministry of Defence

MS TAN CHIN PHEK
Deputy Manager
Finance & Administration Department
Temasek Polytechnic
Ministry of Education

MS CHIOK KOON CHENG DIANA
Senior Manager
Continuing Education & Training
College Services
ITE College West
Institute of Technical Education
Ministry of Education

MS TEO LEAN WHEE
Assistant Director, Finance
Corporate Services Group
Health Sciences Authority
Ministry of Health

MS NG CHUN CHUN
Accountant
Commercial Affairs Department
Singapore Police Force
Ministry of Home Affairs

MR SEAH SER HUAT
Deputy Director, A&F
Singapore Police Force
Ministry of Home Affairs

MS CHUA SOCK CHENG
Manager, Internal Audit
Central Provident Fund Board
Ministry of Manpower

MS NGOO BEE LENG
Deputy Director
(Treasury & Systems Management)
Treasury & Payment Department
Finance Group
Housing & Development Board
Ministry of National Development

MR SIA CHIEN KIUNG
Principal Accountant
Administration & Accounting Department
Estate Administration & Property Group
Housing & Development Board
Ministry of National Development

MR TAN KWANG WEI
Director (Internal Audit)
Civil Aviation Authority of Singapore
Ministry of Transport

MDM TEE POH LIAN
Deputy Director
Collections, Receivables & Refunds
Finance
Land Transport Authority
Ministry of Transport

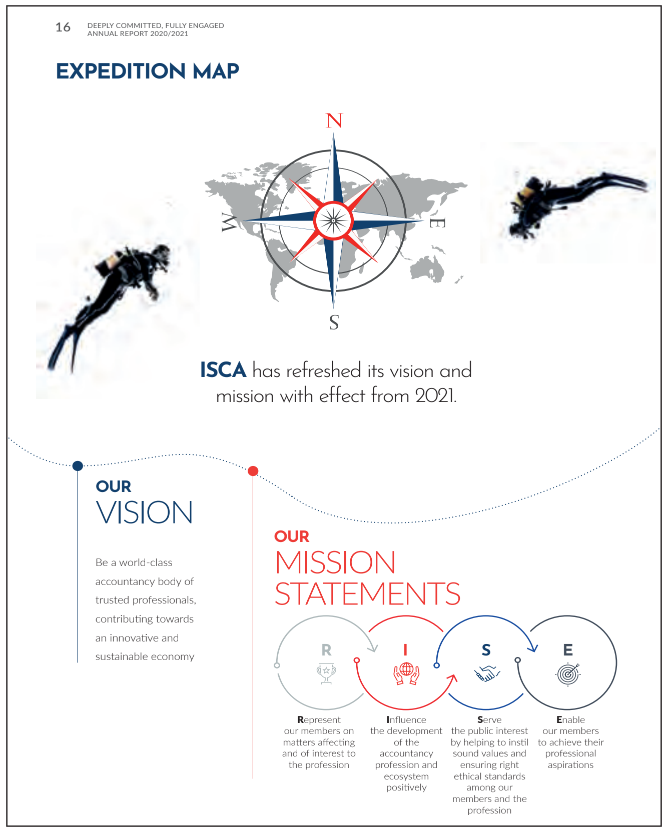
MDM TAY BEE PENG
Deputy Director
Financial Reporting & Payment
Finance
Land Transport Authority
Ministry of Transport

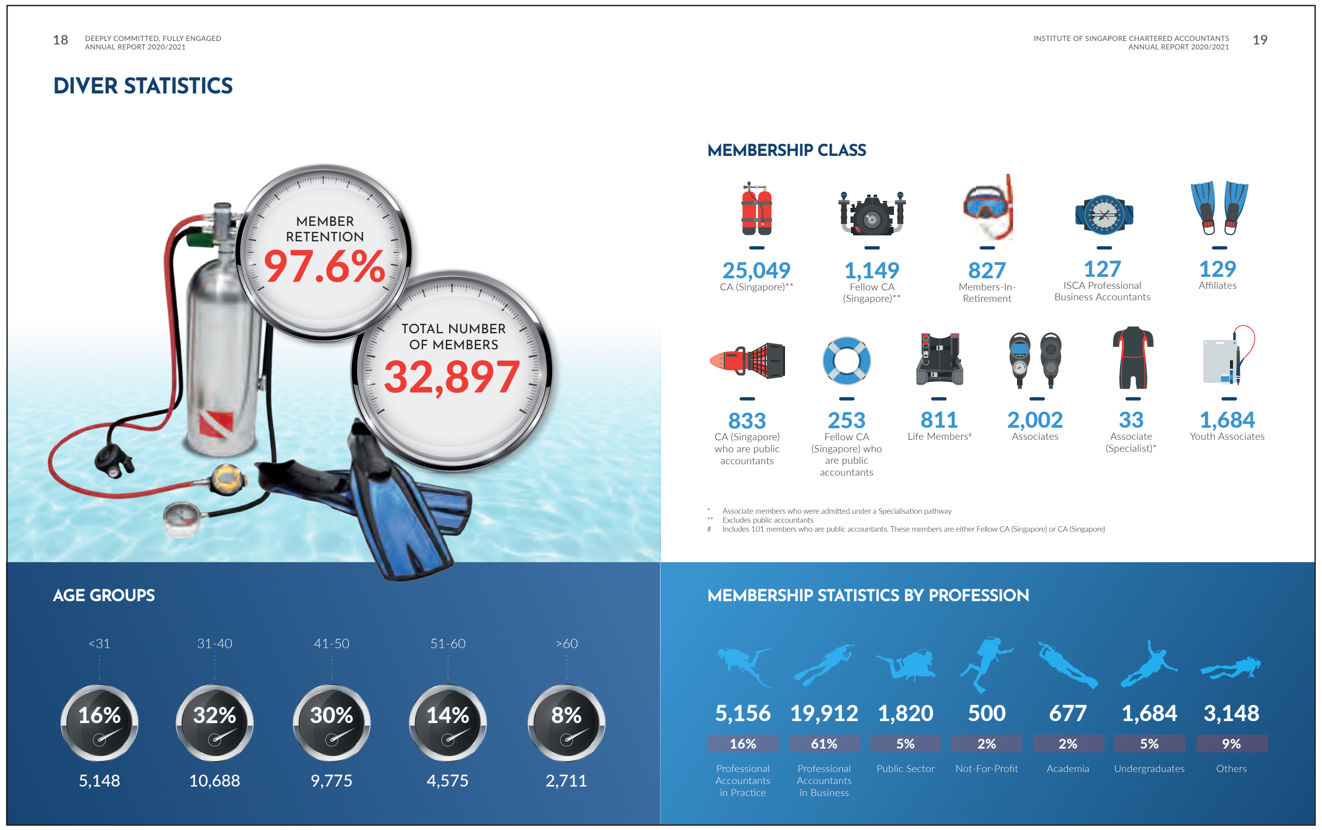
ISCA Annual Report Wins Two Global Awards

ISCA'S 2020/2021 ANNUAL REPORT, TITLED "DEEPLY COMMITTED, FULLY ENGAGED", HAS WON TWO INTERNATIONAL AWARDS. It won a Gold award for design excellence in the 2021 Hermes Creative Awards, and a Gold award in the 2021 International Annual Report Competition (ARC) Awards, under the Financial Industry Association category. These global accolades elevate the ISCA brand image, raise the brand's visibility and boost the credibility of the brand to an international audience.

The Hermes Creative Awards is an international competition for the creative industry. Annually, it attracts approximately 6,000 entries from various organisations around the globe. The ARC Awards' judging criteria cover design and quality of content presentation, including the cover design, clarity of written text, presentation of corporate information, expression of financial data, and how well the spirit of the organisation is communicated.

The Institute's award-winning annual report carries the theme of deep-sea diving. The design encapsulates the beauty of the underwater environment, showcasing the vibrancy and richness of the marine life and colourful coral as well as the various components of diving, such as the vessel, supervision crew and diving gear. The imagery of divers bravely entering the depths is a metaphor for the profession's continuous development and advancement.





The theme of deep-sea diving mirrors the important and varied work of ISCA in supporting the development of the accountancy profession. The unpredictability of the ocean is similar to today's unpredictable and volatile business environment, where the pandemic has presented challenges but also new opportunities. As deep-sea diving requires specialised training and equipment, this reflects how ISCA equips the profession through upskilling and reskilling. The need for teamwork and trust in a diving exploration mirrors how the development of the accountancy profession relies on diverse stakeholders working as a team.

The ISCA 2020/2021 Annual Report is available at the ISCA website (https://isca.org.sg/about-us/about-the-institute-of-singapore-chartered-accountants/annual-report).

Campaign Positions Chartered Accountants As Trusted Professionals Who Make A Difference

NOW, MORE THAN EVER, THE BUSINESS WORLD NEEDS PEOPLE WHO CAN MAKE A DIFFERENCE. Businesses are actively listening for trusted voices so they can find reliable, credible assistance to address the questions that will define businesses and economies amid the COVID-19 global pandemic and global climate crisis.

Against this backdrop, ISCA has rolled out the "Difference Makers" campaign in Singapore. Part of the global "Difference Makers" campaign by Chartered Accountants Worldwide, the campaign positions Chartered Accountants as the people businesses and governments can and will trust to get businesses and economies moving again.

In such times of crisis, ensuring organisational financial health is critical for business survival. Chartered Accountants are best placed to help businesses through challenges arising from the COVID-19 global crisis. The "Difference Makers" campaign aims to showcase the pre-eminence of Chartered Accountants and generate confidence that Chartered Accountants have the breadth of skills, commitment to ethics and global expertise to help businesses navigate these challenging times.

▲ Via the "Difference Makers" video, the campaign aims to convey the message that Chartered Accountants have the breadth of skills, commitment to ethics and global expertise to help businesses thrive

The main creative element is a 30-second video that exhorts employers to "Choose a Difference Maker. Choose a Chartered Accountant." In addition, the campaign landing page features a series of member profile stories. Written in the form of Q&A interviews, the stories showcase ISCA members who embody the characteristics of a "difference maker", by elaborating on the varied ways in which they are making a difference to businesses, the community and the economy.

The campaign will run on various digital and social media platforms from September to mid-December this year.

▶ The video aims to influence employers to "Choose a Difference Maker. Choose a Chartered Accountant."

Scan QR code below to watch the "Difference Makers" video:

Read the Q&A interviews with ISCA's difference makers at https://isca.org.sg/differencemakers

ISCA Members: Showcase Your Identity As A Difference Maker

As a Chartered Accountant of Singapore, you can show your support for the campaign by sharing it on social media. Showcase your identity as a difference maker with ISCA's social media profile photo frames for Facebook and LinkedIn as well as virtual backgrounds for your meetings. Download them from https://isca.org.sg/membership/become-a-member/about-the-profession/be-a-difference-maker

Share Your #ISCADifferenceMakers Story

Be part of ISCA's "Difference Makers" campaign and inspire others to make a difference in the world. Tell us how you, as a Chartered Accountant, are creating a positive impact, or share with us your ideas about how Chartered Accountants can be difference makers. Share your stories, photos and/or videos on social media using the #ISCADifferenceMakers hashtag and tag ISCA on Facebook or LinkedIn.

As we may feature your posts on ISCA's social media accounts and website, please set the post's privacy setting to "Public".

HIGHLIGHTS FROM THE NATIONAL DAY RALLY 2021

Singapore Prime Minister Lee Hsien Loong shared an optimistic outlook on the economy and a robust recovery plan, against a background of COVID-19 and prevalent social issues

IN HIS FIRST NATIONAL DAY RALLY IN TWO YEARS, PRIME MINISTER (PM) LEE HSIEN LOONG PRESENTED AN ENCOURAGING, YET REALISTIC VIEW OF WHERE SINGAPORE STANDS TODAY. His address, which was broadcasted on August 29 in Malay, Mandarin and English, dealt with three key areas: the current COVID-19 situation and vaccination outlook, the global economy and what Singapore needs to do, and the social challenges Singapore is facing.

COVID-19: THE FACES, THE NUMBERS, THE FUTURE

While he noted that each time it looked like COVID-19 had been beaten, it would break out in a different place and force Singapore into tightening its measures again, PM Lee said that Singapore has handled the situation well. "We have kept our people safe and protected our livelihoods," he asserted. "I thank you for all your trust and cooperation. Your discipline and resilience have made all the difference in the fight against COVID-19."

He went on to acknowledge those on the frontline who have gone beyond the call of duty, such as Priyaa Mohena, a senior physiotherapist at Woodlands Health who was deployed to look after COVID-19 patients because of her expertise dealing with respiratory problems. The PM declared Singapore's vaccination programme "very successful", with eight in 10 residents fully vaccinated. He noted that while vaccination has slowed the transmission and spread of the virus, the delta variant is much more infectious, hence, it is not possible for Singapore to experience a zero-case scenario. "Therefore, we must prepare for COVID-19 to become endemic, like the flu or chicken pox," he said. "Fortunately, with vaccination and added precautions, we can live with the virus and become 'COVID resilient'."

He urged those who are not yet vaccinated to do so. "We are trying to reach you before the virus reaches you," he said. "With endemic COVID-19, sooner or later, everyone will meet the virus. If you are vaccinated, you may not get infected. But if you are not vaccinated, you will most certainly get infected, and may well become very sick." He painted the picture of life in Singapore returning to normality if every resident does his part in the months ahead and get vaccinated – "we can keep our situation stable, and gradually return to a more normal life".

THE ECONOMY: HOW TO CHANGE GEARS & GROW

"With COVID-19 under control, we must now refocus on the future," said PM Lee. He emphasised that Singapore had survived its worst economic crisis since independence, and it was now time to change gears – no more drawing down on reserves, but generating new growth and new jobs to boost the economy. Against the background of a global economy that is picking up, Singapore is looking to join its major markets – the US, China and Europe – in experiencing growth, which the Ministry of Trade and Industry has forecasted to grow 6% to 7% this year.

PM Lee listed three key things that Singapore needs to do to sustain longer term growth: one, preserve its status as a business hub by opening up borders soon and allowing Singapore to maintain its position as a regional base for many multinational corporations. Two, Singapore must remain attractive to investors, which is why throughout these two years, the Economic Development Board has been persuading major global companies to invest in Singapore. Zoom, for example, has opened a new R&D centre here, and BioNTech will be setting up business here; its vaccine partner Pfizer has been in Singapore for a long time. "All these investments will create many good jobs for Singaporeans," said the PM.

The third thing Singapore needs is for its homegrown companies to make their mark in the new economy. The PM listed companies like Carro, SecretLab, Carousell and Hegen as those that have become global names, largely through pivoting and strengthening their online strategies.

PHOTOS: SHUTTERSTOCK

"In this moment of crisis, Singaporeans have continued to look ahead, and to pour heart and soul into our hopes and dreams."

TACKLING THE SOCIAL CHALLENGES IN SINGAPORE SOCIETY

PM Lee addressed three social issues that have come to the fore more prominently during COVID-19. The first was supporting lower-wage workers (LWWs). These include workers on the frontline such as cleaners, delivery workers and security personnel who are vulnerable and need longer-term support. Policies to help LWWs include the Workfare Income Supplement Scheme (a negative income tax) which will see S$1.1 billion of support in 2023, and the Progressive Wage Model which will see LWWs' basic pay being raised from S$1,200 to S$1,900 in the next four years. There will also be the enforcement of the Local Qualifying Salary to be paid to local employees by companies that wish to hire foreign workers, and the introduction of a Progressive Wage Mark, an accreditation of companies that pay their employees Progressive Wages.

The PM also tackled the issue of middle-income Singaporeans feeling threatened by Work Pass holders, a situation exacerbated by COVID-19 and economic uncertainty. There will be a gradual tightening of criteria for Employment Pass and S Pass issuance, to ensure that qualified Singaporeans have fair employment and treatment. He assured Singaporeans that TAFEP (the Tripartite Alliance for Fair & Progressive Employment Practices) has made clear the guidelines on fair treatment, and that the Ministry of Manpower can restrict companies from hiring foreign workers.

The PM encouraged both Singaporeans and non-Singaporeans to be more accepting and understanding of each other. "Foreigners who are here in Singapore strengthen our team," he said. During COVID-19, some Work Pass holders have endured personal hardships too – they may be separated from their families who are abroad, or are unable to return home. "Many worked on the frontline shoulder-to-shoulder with Singaporeans. They, too, have contributed to Singapore." He reminded Singaporeans that being xenophobic is not something the nation aspires to be.

RACE & RELIGION: THE NEED FOR HARMONY

The PM also candidly addressed the topic of strained racial and religious relations in Singapore, citing two recent incidents: one where a Singaporean Indian family featured on a National Day banner was erroneously identified as foreigners, and the other where an interracial couple was accosted for dating outside their races.

While he spelled out how such ill feelings may have come about, PM Lee pointed out that it was illogical, for example, to blame Indians for the delta variant, or the KTV COVID cluster on Vietnamese. Singapore must deal with the root issues, namely the Work Pass numbers, but not let frustrations hurt racial harmony. He reminded the audience that Singapore has worked long and hard to maintain a society where different faiths and races can live peacefully together – a rare achievement that must be protected.

The PM brought up the "*tudung* issue", citing the ongoing dialogue about Muslim women being able to wear their *tudung* (headgear) at the workplace, particularly in the police force and in nursing. He announced that from November, Muslim nurses in the public healthcare sector would be allowed to wear a *tudung* with their uniforms if they so wished. He closed his rally with words of encouragement for the people of Singapore to remain "united and resilient, steadfast and resourceful, in good times and bad", and while "COVID-19 will not be our last crisis", Singapore will survive as it has done before. ISCA



BY LIM JU MAY, FELICIA TAY AND MARCUS CHAN

PREPARING INTERIM FINANCIAL STATEMENTS UNDER SFRS(I) 1-34

Navigating Towards Quality Financial Reporting

PHOTO SHUTTERSTOCK

HIGH-QUALITY AND RELIABLE FINANCIAL STATEMENTS are vital to maintaining confidence in Singapore's capital markets and upholding the country's reputation as a trusted global business hub. However, SGX RegCo noted in its response paper that "several issuers, in particular, Singapore-incorporated issuers, have not been preparing their periodic financial statements in accordance with the prescribed accounting standards. We understand from feedback that in this regard, the application of these requirements to Singapore-incorporated issuers should be clarified".

On 12 January 2021, SGX RegCo added Listing Rule 705(3A) to require issuers reporting under Singapore Financial Reporting Standards (International) (SFRS(I)s) to apply SFRS(I) 1-34 *Interim Financial Reporting* in their interim financial statements. This provides a good framework for comprehensive disclosures and enhances comparability of issuers' interim financial statements on an international level. SGX RegCo also highlighted in its communique to issuers that ISCA would issue technical guidance to aid issuers on the compliance with the new Listing Rule 705(3A).

On 3 May 2021, ISCA issued Financial Reporting Guidance 3 (FRG 3) *Preparation of Interim Financial Statements under SFRS(I) 1-34 Interim Financial Reporting (in compliance with the SGX Listing Rule 705(3A)* and two sets of accompanying illustrative condensed interim financial statements. These illustrate how certain key requirements of SFRS(I) 1-34 and SGX Listing Rule Appendix 7.2 could be met concurrently in the interim financial statements.

FRG 3 aims to aid issuers in understanding the implications of the Listing Rule 705(3A) to their interim

The overriding goal of SFRS(I) 1-34 is to ensure that an interim financial report includes all information that is relevant to understanding an issuer's financial position and performance during the interim period.

financial statements and to highlight the key areas to take note of when preparing a set of interim financial statements under SFRS(I) 1-34. Issuers are encouraged to refer to FRG 3 and the accompanying illustrative condensed interim financial statements as highlighted in the SGX RegCo's Guidance Note on Accounting Standards for Financial Statements issued on 4 May 2021.

On 19 August 2021, a panel discussion was convened at the ISCA PAIB Conference 2021 to discuss and share challenges faced by issuers in applying the new Listing Rule 705(3A), and how it has impacted issuers' reporting to SGX while concurrently meeting the expectations of relevant stakeholders. The panel discussion, moderated by Chen Voon Hoe, Deputy Chairman of ISCA Financial Reporting Committee, featured panellists Lim Kai Ching, Group Chief Financial Officer, Uni-Asia Group Limited; Ng Kian Hui, Audit Partner, Head of Audit and Assurance, BDO LLP; Eliza Tan, Vice President, SGX RegCo, and Tan Yong Choo, Vice President (Group Finance), Singtel Limited.

In this article, we will be sharing highlights from FRG 3 as well as key insights from the panel discussion.

FRG 3 PREPARATION OF INTERIM FINANCIAL STATEMENTS UNDER SFRS(I) 1-34 INTERIM FINANCIAL REPORTING (IN COMPLIANCE WITH THE SGX LISTING RULE 705(3A)

FRG 3 covers the following areas:

1) Overview of the regulatory changes

This section provides an overview of the regulatory changes and discusses:

- Listing Rule requirements prior to the addition of Listing Rule 705(3A) on 12 January 2021;
- Issuance of Listing Rule 705(3A) and SGX response paper.

2) Key requirements in SFRS(I) 1-34

Section 2(A) states that the basis of preparation for a set of interim financial statements under SFRS(I)s is SFRS(I) 1-34, and this fact shall be disclosed in that set of interim financial statements. It should be noted that a set of interim financial statements shall not be described as complying with SFRS(I)s unless it complies with all the requirements of SFRS(I)s.

Section 2(B) sets out key requirements in SFRS(I) 1-34 and the associated implications for issuers. Some of the implications include differences from the current disclosure requirements under Listing Rule Appendix 7.2 that issuers should take note of.

Section 2(C) highlights that issuers are required to assess whether the going concern assumption is still appropriate in light of events and circumstances which may have taken place since the end of the last annual reporting period.

3) Complying with the requirements of SFRS(I) 1-34 and Listing Rule Appendix 7.2

SFRS(I) 1-34 requires more holistic disclosures than those prescribed in Listing Rule Appendix 7.2. Such additional requirements include disclosures of key judgements/estimates and explanations for significant changes from the last audited annual financial report. This enables users to have a better understanding of what has happened to the issuer since the last audited annual financial report and to understand the key judgements/ estimates applied. The overriding goal of SFRS(I) 1-34 is to ensure that an interim financial report includes all information that is relevant to understanding an issuer's financial position and performance during the interim period.

Therefore, a set of interim financial statements that is prepared in compliance with SFRS(I) 1-34 should concurrently meet the requirements of Listing Rule Appendix 7.2 if it provides certain additional disclosures prescribed by Listing Rule Appendix 7.2. These additional disclosures are summarised in this section of FRG 3.

This section also highlights (i) those additional disclosures which relate to accounting information and hence, could be included in the disclosure notes in the interim financial statements, and (ii) those additional disclosures which relate to non-accounting information; a good practice is to show them separately from the interim financial statements (for example, in Management Discussion & Analysis) in the same announcement.

4) Key areas of focus

This section sets out key areas which an issuer should consider focusing on when preparing the interim financial statements. They include:

(A) Appreciateness of significant judgements and estimates made

The potential areas where changes in judgements and estimates could have taken place include:

(i) Are the fair values of the issuer's investment properties overstated?

(ii) Are the issuer's non-financial assets (carried at cost) overstated and impairment losses required to be recognised?

(iii) Are the issuer's estimates of expected credit losses appropriate in light of the current uncertain situation?

(iv) Have any of the issuer's contracts become onerous?

(B) Non-reversal of impairment loss on goodwill recognised in an interim period

(C) Estimation of weighted average annual income tax rate expected for the full year.

... FRG 3 sets out key requirements in SFRS(I) 1-34 and explains how each key requirement impacts the issuers (including how a particular requirement differs from that in Listing Rule Appendix 7.2).

PANEL SESSION

INTERIM FINANCIAL REPORTING: NAVIGATING THE JOURNEY TO QUALITY FINANCIAL REPORTING

Chen Voon Hoe, Deputy Chairman of ISCA Financial Reporting Committee, shared insights from FRG 3 at the recent PAIB Conference

The adage rings true: any change, even a change for the better, is always accompanied by drawbacks and discomfort. Issuers have certainly faced challenges in applying the regulatory changes to interim financial reporting.

Before moderating the panel discussion at the recent PAIB Conference, Mr Chen presented an overview of the regulatory changes to interim financial reporting in Singapore and shared insights from FRG 3.

Although the regulatory changes made it clear that issuers reporting under SFRS(I)s are to prepare interim financial statements using SFRS(I) 1-34, Mr Chen shared that some issuers may not fully appreciate how this differs from the current practice of preparing interim financial reporting using Listing Rule Appendix 7.2.

FRG 3 was issued to aid issuers in understanding the implications of the regulatory changes. Mr Chen explained that FRG 3 sets out key requirements in SFRS(I) 1-34 and explains how each key requirement impacts the issuers (including how a particular requirement differs from that in Listing Rule Appendix 7.2). One example is segment information – SFRS(I) 1-34 requires segment information to be included in the interim financial statements whereas Listing Rule Appendix 7.2 only requires segment information to be included in the year-end announcement.

Mr Chen also emphasised that SFRS(I) 1-34 requires judgement to be exercised by issuers in certain areas, such as identification of significant events and transactions, identification of unusual items (because of nature, size or incidence), and assessment of the appropriateness of significant judgements and estimates made (for example, fair values of non-financial assets and estimates of expected credit losses).

Mr Chen also spotlighted the accompanying illustrative condensed interim financial statements which illustrate how a set of SFRS(I) 1-34-compliant interim financial statements would look like. "FRG 3 covers the 'what' – what you need to cover in the interim financial statements. The accompanying illustrative condensed interim financial statements cover the 'how' – how a set of condensed interim financial statements looks like. Do take note that while it is as comprehensive as we can make it, it is not a checklist, so you do need to look at SFRS(I) 1-34 and Listing Rule Appendix 7.2 for completeness," he reminded the delegates.

(From left) Moderator Mr Chen with panellists Lim Kai Ching, Group Chief Financial Officer, Uni-Asia Group Limited; Ng Kian Hui, Audit Partner, Head of Audit and Assurance, BDO LLP; Eliza Tan, Vice President, SGX RegCo, and Tan Yong Choo, Vice President (Group Finance), Singtel Limited

"A good starting point is to look at the issuer's business and identify any new businesses or changes to existing business during the interim period. From there, the issuer would consider the additional disclosures to be included in the interim financial statements to explain the changes to the users."

Lim Kai Ching, Group Chief Financial Officer, Uni-Asia Group Limited

In the ensuring panel discussion, the panellists engaged in a lively discussion of the benefits as well as the challenges faced by issuers in applying the new Listing Rule 705(3A), and how it has impacted the issuers' reporting to SGX. They also shared tips on how the challenges can be mitigated.

Salient points from the panel discussion include:

- Financial reports prepared in accordance with the relevant accounting standards bring about benefits such as increased transparency and better-quality interim financial statements to issuers and users of the financial statements.
- Listing Rule 705(3A) has affected issuers differently. Larger issuers are likely more prepared for the changes as they have more resources to handle the changes, and some may have been applying SFRS(I) 1-34 in their preparation of interim financial statements all along. Smaller issuers may need to change their interim reporting processes to be able to capture the data required in the preparation of a set of SFRS(I) 1-34-compliant interim financial statements.
- Issuers should exercise judgement to include only material and relevant information in the interim financial statements.
- Issuers should engage auditors early to obtain a common understanding of material events and transactions that warrant disclosure, and areas where significant judgements and estimates made may need to be revisited.

WHAT PANELLISTS SAID...

"A good starting point is to look at the issuer's business and identify any new businesses or changes to existing business during the interim period. From there, the issuer would consider the additional disclosures to be included in the interim financial statements to explain the changes to the users."
Lim Kai Ching, Group Chief Financial Officer, Uni-Asia Group Limited

"Issuers need to consider impacts of changes during the interim period on significant judgements and estimates made in the interim financial statements. For instance, in the area of fair valuation of investment properties, if the issuer is aware of recent conditions which may cause the fair values to differ significantly, the issuer should consider if an updated valuation exercise should be performed to ensure that the reported fair values are appropriate."
Ng Kian Hui, Audit Partner, Head of Audit and Assurance, BDO LLP

"High-quality and reliable financial statements are integral to the functioning of capital markets. The requirement for issuers to prepare the interim financial statements in accordance with SFRS(I) 1-34 would bring about increased transparency and better assure users of the quality and rigour in the preparation of the financial statements."
Eliza Tan, Vice President, SGX RegCo

"Accounting standards require you to disclose a lot of things, but some are not material or relevant to investors. You will need to look at your financial statements and see what is material and relevant. It is important to go through this with your auditors as well."
Tan Yong Choo, Vice President (Group Finance), Singtel Limited

"High-quality and reliable financial statements are integral to the functioning of capital markets. The requirement for issuers to prepare the interim financial statements in accordance with SFRS(I) 1-34 would bring about increased transparency and better assure users of the quality and rigour in the preparation of the financial statements."
Eliza Tan, Vice President, SGX RegCo

PHOTO SHUTTERSTOCK

ADDRESSING THE QUERIES FROM PREPARERS

Among the queries that ISCA has received from preparers, the following frequently appear. We would like to share our responses here.

1) *For the year-end announcement, am I required to issue a set of SFRS(I) 1-34-compliant interim financial statements if I can issue my full-year financial statements under SFRS(I)s within 60 days after my financial year end?*
The answer is No.

SGX RegCo has clarified in its Guidance Note that "Issuers that currently prepare their full-year financial statements based on the broader set of accounting requirements that apply to annual financial statements under the SFRS(I)s, IFRS or US GAAP do not have to change their approach and should continue their existing practice." This means that if an issuer has issued its full-year financial statements prepared under SFRS(I)s within 60 days after its financial year end, that issuer is not required to issue a separate set of interim financial statements (containing the second-half or the fourth-quarter financial information) prepared in accordance with SFRS(I) 1-34.

Although an issuer in the above scenario is not required to issue a separate set of SFRS(I) 1-34-compliant interim financial statements, the following requirement of paragraph 26 of SFRS(I) 1-34 should be noted:

"If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year."

2) *Listing Rule 705(3A) refers to the preparation and not issuance of SFRS(I) 1-34-compliant interim financial statements. Am I required to publish the set of SFRS(I) 1-34-compliant interim financial statements which I have prepared?*
The answer is Yes.

We understand that SGX RegCo is of the view that Listing Rule 705 should be read in its entirety and specifically, "such financial statements" as referred to in Listing Rule 705(3A) are those financial statements required to be announced under Listing Rule 705(1) – (2C).

In addition, issuers need to refer to SGX RegCo's Guidance Note and the Financial Statements Checklist that is required to be submitted by all issuers, as part of their interim and full-year announcements. The Financial Statements Checklist includes specific references to FRG 3, and requires a statement of compliance with relevant accounting standards on pages 3 and 4. Any "non-compliance" would need to be explained by issuers and be subjected to scrutiny by SGX RegCo.

3) *The Financial Statements Checklist referred to in (2) above requires the presentation of percentage variances in a separate column in the income statement. This requirement is not included in FRG 3 and the illustrative condensed interim financial statements. Is this a requirement under SFRS(I) 1-34?*
The answer is No.

Notwithstanding this, paragraph 15 of SFRS(I) 1-34 requires the interim financial statements to include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. The information disclosed in relation to those events and transactions should also update the relevant information presented in the most recent annual financial statements.

The above requirement is more encompassing than that of paragraph 8 of Listing Rule Appendix 7.2 (see paragraph 8, below). It requires the issuer to disclose and update significant events and transactions that impact the issuer's financial position and performance since the end of the last annual reporting period and is not limited to events and transactions that affect the performance for the current financial period reported on.

Paragraph 8 reads:

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors, and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. ISCA

Lim Ju May is Deputy Director, Technical, ISCA; Felicia Tay and Marcus Chan are from Financial Reporting, Technical, ISCA.

AT PEACE WITH HER CHOICES

TWENTY-EIGHT-YEAR-OLD HARMONY TEE HAS ALWAYS BEEN PRAGMATIC. She pursued a degree in accountancy because she wanted a secure job, and the high employment rate of accountancy graduates also appealed to her. She imagined the course to be all about numbers and that she would sail through it as she excelled in mathematics. "Yet, there were also other business-related modules that I had to take – from business management and marketing to even leadership modules," she recalls. Still, she graduated, and snagged a coveted position as an auditor in EY, and was even given a major assignment that required travelling to the United States (US). Smart, hardworking and presented with enviable opportunities, Harmony was on track to scoring that high-flying corporate career she had yearned for.

Harmony Tee, Associate (ISCA), Founder and Funeral Director, Harmony Funeral Care

However, she chose to give it all up.

"I had received news that my dad's health was compromised and that he was in a fragile state," she reveals. She was in the US at the time, and the flight home would take at least a day. Although she was deeply committed to her job, she chose to be with her family at that critical time. It was a tough decision to make, and she was only 23 years old then. "Career opportunities come and go, but I only have one set of parents," she explains. "My family is irreplaceable, as is the time I get to spend with them."

A NEW LIFE IN MEMORIALISING THE DEAD

Being ever the pragmatist, Harmony did not sit around to count the cost of her lost opportunities. Instead, she considered her options and decided to join the family's funeral business. "Growing up, I had always admired how hard my grandfather worked to start his coffin-making business (Hock Hin Undertaker)," she shares. "I believe it is a viable business as passing on is part of the normal cycle of life. So I decided to give myself a year to learn whatever I can about the funeral services trade; I also wanted to continue my grandfather's legacy." During this time, she deep-dived into the business and took a hands-on approach to learn every single aspect – from logistics to even setting up sound systems. Besides putting up with disparaging remarks and boorish comments from brusque old-timers, she also lost some friends due to the stigma surrounding the trade. On many occasions, she had to drop everything when a family needed their services, and this unpredictability eventually led to the breakdown of her own personal relationship. Still, she persevered.

"The learning curve was steep. When I first joined the family business, there was no structure, no contracts and no proper records of anything from inventory to accounting. However, while doing the books, I really saw the potential in the industry, and I felt that a lot could be done better," she notes. Harmony wanted to implement changes from the get-go, yet, this was a trade run by an ageing crowd fiercely protective of their deep-set practices, and who preferred the status quo. "To many of the older workers, I was this young kid from nowhere. I had to gain their respect and prove myself. Especially as it is a male-dominated industry where I might not match up to the men, such as in terms of physical strength, I have to show my strengths in other areas."

> "Life is fragile and short, so we need to live life to the fullest," she declares. **"For some, it might be going all out to enjoy themselves and not have to think too far ahead, but for me, it means giving the best in whatever I do."**

CAREER HIGHLIGHTS

2016 to 2017
Audit Associate,
EY Singapore

2017 to Present
Funeral Director,
Eternal Life Bereavement Services

2018 to Present
Founder and Funeral Director,
Harmony Funeral Care

A BOLD UNDERTAKING

And prove herself she did. From being a quiet junior corporate employee who would not dream of challenging her seniors, she evolved into a spunky manager who knew how to push back at the bigoted doubters and dismissive naysayers with tact and firmness. She dedicated her energy to learning the ropes and in 2018 – fewer than two years after joining Hock Hin Undertaker – Harmony started Harmony Funeral Care. "I can do everything – from putting up the backdrop for a wake to setting up the cables for the PA system; I am even a certified embalmer. Prior to getting certified, I would accept any reason the embalmer gave me for not being able to meet certain requests because I didn't know any better. Then, after the certification, the importance of knowing the ins and outs of my own business really hit me," she reflects. Besides putting her in an advantageous position when dealing with partners and suppliers, being equipped with expert knowledge also gives her the ability to lead with authority – something that is needed when one is trying to revolutionise an age-old service.

Harmony introduced protocols to raise the level of professionalism, such as prohibiting her staff from smoking at the wake venues and getting them to suit up – "because funerals are a dignified event after all," she asserts. As a trained accountant, the young entrepreneur also put in place new business management systems and employed technology to improve the keeping of records. She applies the skills and knowledge gathered through ISCA courses not only to bookkeeping but to different aspects of running the business. "The Continuing Professional Education (CPE) courses I have taken as an ISCA member expands my network while compelling me to upskill," she says. "From tax planning to reducing tax exposure and implementing checks and balances; from implementing segregation of roles to prevent corruption and mishaps to learning how to apply Sun Tzu's Art of War in human resource management, these have all been very helpful when running my own business."

> **"Good times don't last, but neither do bad days… The most important thing is to learn something out of the bad (experiences), and prepare yourself for better things to come."**

The Gen Z digital native is even tapping into social media marketing. The biweekly videos on the Harmony Funeral Care's YouTube channel, which has over 2,000 subscribers, serve not just to showcase the behind-the-scenes work and other aspects of the trade, they also aim to reshape views on life and death. "We recently launched this campaign called 'Living Fully, Leaving Ready', where we invited those who've had a near-death experience to share how it has changed their perspectives," she shares enthusiastically. While many still consider talking about death a taboo, Harmony wants to promote conversations on the topic.

Her fresh approach to funeral services, coupled by her personable ways, an innate sensitivity, and a genuine concern for the families she serves, quickly won customers over. Clients would be so moved by her service that they would stay in touch, and also recommend the services of Harmony Funeral Care to others. "People believe you when they see results, and they share their experiences with others," she relates. "With word-of-mouth endorsements by our customers, the referrals started coming in."

Harmony is also trying to attract younger talent into the sector. "It is a very traditional trade and most companies are family operations. While you don't need much in terms of academic credentials to enter the industry, it is not so easy without existing connections," she shares. Leveraging on her own youth and the company's hip image on social media, she has been successful in lowering the median age at her company, which now has a full-time team comprised equally of experienced older workers and younger staff, some of whom are university graduates.

LEADING A LIFE OF PURPOSE

Three years into founding Harmony Funeral Care, Harmony is still going strong despite set-backs and COVID-19 disruptions. "It is a line of work where we cannot afford to make mistakes. And, given the tight timelines for each funeral and the responsibility entrusted upon us, things can get very stressful," she says. Admittedly, the work takes a lot out of her physically and emotionally and, while she has conditioned herself to stay level-headed and composed for her clients and team, she reveals that she cried at the first funeral she conducted, and was teased by the more seasoned staff. "A family member had shouted 'Papa!' at the crematorium and it dawned on me that that person calling out to the deceased could be me," she admits. "My work is a constant reminder for me to spend more time with those I love because we don't know when our last day will be."

Witnessing death on a daily basis has also become a driving force for Harmony. "Life is fragile and short, so we need to live life to the fullest," she declares. "For some, it might be going all out to enjoy themselves and not have to think too far ahead but for me, it means giving the best in whatever I do."

She believes that everything happens for a reason and "I know this is what I am meant to do in this season of my life", she says. "I sometimes wonder how different my life would have been.

I could be in a high-profile corporate role strutting around the CBD in heels, rather than getting my hands dirty and sweating it out at a void deck," she says wistfully. Giving herself a mental shake, she continues, "But death is a leveller. Through conducting funerals for the very rich and the very poor, I've been able to meet and help people from all walks of life. I can empathise with the underprivileged who find it a challenge to provide their family with their daily meals." At the same time, her work has connected her with influential business leaders and even her ex-bosses, who work on social projects with her as peers – "something that wouldn't have happened if I were a junior corporate staff with no voice of my own".

Overall, she feels that the gains she has made over the past four to five years outweigh what she may have lost, and does not regret her choice. "But most importantly, I am driven by purpose. I've chosen to be part of my family's legacy and I find meaning in the work I do, and this spurs me on in times of adversity," she states firmly; she had questioned her own abilities when her company faced major adversity two years earlier. "I spoke to a lot of business people and realised that there will be ups and downs in every business. Good times don't last, but neither do bad days," she assures. "The most important thing is to learn something out of the bad (experiences), and prepare yourself for better things to come." ISCA

BY SEAH GEK CHOO, EL'FRED BOO, PREMILA GOWRI SHANKAR, LOW KIN YEW AND TONG YEN HEE

FOUR NEW REALITIES OF AUDIT

How COVID-19 Has Reshaped Audit

COVID-19 HAS USHERED IN RENEWED CONCERNS OVER RISK ASSESSMENT AND MANAGEMENT WITHIN THE FINANCIAL REPORTING ECOSYSTEM. In this complex and volatile environment, the role of audit, that is, to bring integrity and trust to the financial reporting ecosystem by increasing transparency across and between stakeholders, has only grown in importance.

It is therefore timely that we examine how audit has evolved, and should continue to evolve, to meet both the current and emerging needs of all stakeholders within the financial reporting ecosystem. To inform these conversations, researchers from Deloitte Southeast Asia and Nanyang Technological University (NTU) jointly undertook two sets of research in the first half of 2021.

Designed to present both outside-in and inside-out perspectives of the external audit process, our research comprised a survey of audit committee members, board members and Chief Financial Officers (CFOs) to understand their perspectives on COVID-19 effects on the external audit process, as well as a series of three virtual focus group discussions with auditors to understand the opportunities and challenges they have identified while conducting audits during the pandemic.

In this article, we highlight four new realities of audit revealed by our findings, which were recently published in our joint whitepaper, "The Future of Audit: An Evolving Financial Reporting Ecosystem in Singapore".

The more distinctive value derived from data analytics in the audit process is … likely to be in providing evidential intelligence for management and the board, for example, deep insights into how the business is performing under different circumstances, and the corresponding operational and strategic implications.

PHOTO SHUTTERSTOCK

Figure 1 Key considerations of the external audit process before and during the COVID-19 pandemic

Rank	Before COVID-19	During COVID-19
1	Risk assessment and management	Risk assessment and management
2	Proactive quality assurance and regulatory compliance	Proactive quality assurance and regulatory compliance
3	Transparency of audit opinion	Transparency of audit opinion
4	Insights on other areas not covered by the audit	Insights on other areas not covered by the audit

Source: Deloitte-NTU survey conducted in March 2021

(1) Stakeholder expectations

Overall, stakeholder expectations of the external audit process have largely remained unchanged even with the onset of the COVID-19 pandemic. Risk assessment and management continues to be the top consideration for survey respondents, followed by proactive quality assurance and regulatory compliance, and transparency of audit opinion (see Figure 1).

This is no surprise – COVID-19 has heightened perennial concerns in areas such as technology and cybersecurity, as well as operational and financial risks. This would, in turn, likely have translated into greater scrutiny on the external audit approach by audit committee members, board members, and CFOs to ensure that the focus is on the appropriate financial reporting and technology risks that are relevant to their industry and business.

From the auditors' perspective, however, it has only become more challenging to meet the market's expectations for risk assessment and management. Indeed, auditors in our focus groups observed that some of their clients' going concern and impairment risks had become significantly higher following COVID-19.

In terms of how the overall external audit process can be enhanced, our survey respondents ranked the use of more sophisticated data analytics as the most important feature. This was followed by value-adding recommendations that strengthen risk management and control, as well as the integration of ESG metrics. This finding closely mirrors the perspectives shared by auditors, who identified credit risks and going concern considerations as areas in which data analytics could be better leveraged.

Nevertheless, although the focus of data analytics thus far has been on use cases relating to core audit processes, including analysing entire sets of data rather than samples and identifying outliers, we expect these evidentiary benefits to soon become "table stakes", that is, used by the entire profession. The more distinctive value derived from data analytics is therefore likely to be in providing evidential intelligence for management and the board, for example, deep insights into how the business is performing under different circumstances, and the corresponding operational and strategic implications.

Although not the top factor contributing to an enhanced external audit process, ESG considerations are increasingly on survey respondents' radars – 100% of them frequently or occasionally considered governance factors in their investment decisions, while 89% of them frequently or occasionally considered environmental and social factors.

To prepare for a future where organisations will increasingly be held accountable for their ESG goals, auditors must work to hone their technical knowledge of the latest ESG standards and their evolution, and develop capabilities for the interdisciplinary and integrated thinking that their role will increasingly require of them in relation to understanding the impact of ESG goals on financial statements and disclosures.

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(2) Audit efficiency

As a result of the increased challenge in completing an audit during the pandemic, audit completion timeliness emerged as top of mind for our survey respondents, who ranked the ability to meet financial reporting deadlines as the top main concern about the external audit process (see Figure 2).

As a silver lining, some of the changes to the audit work approach have also revealed opportunities for future efficiency improvements. Specifically, 82% of survey respondents strongly or somewhat agree that they would like to see more frequent use of remote delivery and digitalisation of the external audit process. Benefits cited include shorter setup time, cost efficiency, and the new avenue for the external audit process to be conducted simultaneously across different locations.

However, certain stages of the external audit process may prove to be more difficult to digitalise than others. For example, our survey found that face-to-face and physical interactions continue to be valued by survey respondents for opening meetings, fieldwork and interviews, as well as closing meetings.

To increase audit efficiency now and in the future, both finance teams and auditors will need to increase audit work portability across time and space.

To increase audit efficiency now and in the future, both finance teams and auditors will need to increase audit work portability across time and space. Actions that they could take include doubling down on investments in cloud technology to enable audit teams to work seamlessly on a single source of data asynchronously, as well as "digital reviewer" process workflows that can increase work efficiency.

Figure 2 Main concerns about the external audit process during the pandemic

Rank	
1	Ability to meet financial reporting deadlines
2	Technical accounting concerns
3	Inadequate technology infrastructure
4	Cost and staffing
4	Quality of audit evidence

Source: Deloitte-NTU survey conducted in March 2021

(3) Technology adoption

Across the board, survey respondents unequivocally confirmed that the pandemic has catalysed a more digital work approach – 100% of them indicated that COVID-19 has accelerated the adoption of technology in their work approach.

In terms of the adoption of technology tools by their external auditors, 64% of survey respondents indicated they were aware of the use of data analytics tools by their auditors. However, the proportion of them who were aware of the use of other technology tools, including cloud, artificial intelligence (AI) and robotic process automation (RPA), by their external auditors was significantly lower (see Figure 3).

As to why this was the case, our discussions with the auditors revealed several explanatory insights. Specifically, while auditors had leveraged the use of secure, cloud-based document-sharing portals during the pandemic to enable their clients to upload or download documents in real time, many finance teams were hesitant to utilise them due to data privacy and cybersecurity concerns.

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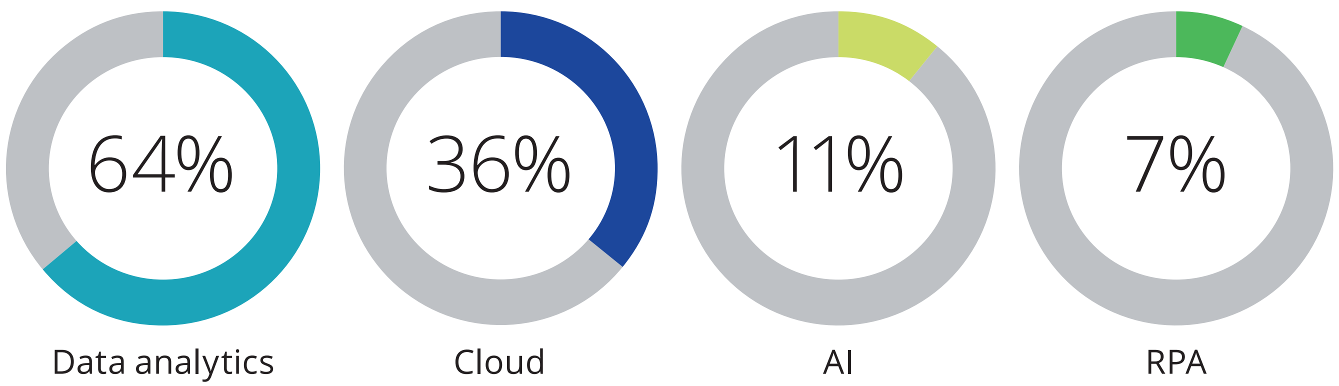
This, however, may be set to change. As finance teams increase their own adoption of cloud platforms as part of organisation-wide digital transformation efforts, it is likely that they will also become more receptive towards the use of these platforms in the external audit process. Over time, we expect cloud platforms to become increasingly central to both document exchange and workflow management in the external audit process.

Figure 3 Current adoption of technology tools by external auditors



Source: Deloitte-NTU survey conducted in March 2021

Figure 4 Most important skill sets for external auditors today and external auditors of the future

Rank	External auditors today	External auditors of the future
1	Financial skills	Critical thinking and judgement
2	Critical thinking and judgement	Financial skills
3	Communication skills	Digital and data analytics skills
4	Digital and data analytics skills	Communication skills

Source: Deloitte-NTU survey conducted in March 2021

(4) Talent and skills

As to what survey respondents perceive to be the most important skill sets for auditors of the future, critical thinking and judgement topped the list (see Figure 4). This was followed by financial skills, as well as digital and data analytics skills – a finding that suggests stakeholders continue to look to auditors for their technical expertise, and ability to make judgement calls in complex situations.

In the not-too-distant future, auditors should therefore engage in more robust interactions with CFOs and finance teams, who will in turn be more focused on strategic rather than operational outcomes. To enable them to make appropriate, practical suggestions to improve internal controls, auditors should examine ways to articulate a clearer point of view and develop sector-specific insights to provide management with more constructive solutions or challenge them on their judgements.

At the same time, auditors must be adept at managing and analysing multiple, robust streams of data, and also be more savvy at recognising when these data or technology can be leveraged at various junctures throughout the audit process to improve the quality, efficiency, and overall value of the audit.

LOOKING AHEAD

Without a doubt, COVID-19 is permanently reshaping the old certainties of financial reporting, with wide-ranging repercussions on the audit process in terms of risk, technology, and ways of working. Fundamentally, however, even in an uncertain future, the role of audit remains certain – audit must preserve, if not enhance, the level of integrity and trust in tomorrow's financial reporting ecosystem.

But auditors are only one part of the entire financial reporting ecosystem. The onus should be on all players to ensure that the evolution of the financial reporting ecosystem contributes towards driving responsible business behaviours, improving the clarity and transparency of relevant reporting and, ultimately, providing stakeholders with more meaningful information to make informed decisions. ISCA

Over time, we expect cloud platforms to become increasingly central to both document exchange and workflow management in the external audit process.

Seah Gek Choo is Leader, Centre for Corporate Governance, Deloitte Southeast Asia; El'fred Boo, Premila Gowri Shankar, Low Kin Yew and Tong Yen Hee are all Associate Professors, Nanyang Business School, Nanyang Technological University.

BY CHRISTOPHER ARNOLD

SMALL FIRMS REMAIN SMES' MOST TRUSTED ADVISORS THROUGH COVID-19

Pandemic Strengthens SMP-SME Dynamic

DESIGNATED AS THE UNITED NATIONS MICRO-, SMALL AND MEDIUM-SIZED ENTERPRISES DAY, JUNE 27 COMES WITH ADDED SIGNIFICANCE THIS YEAR. In every jurisdiction, small and medium-sized enterprises (SMEs) continue to suffer disproportionately from the economic fallout from the COVID-19 pandemic. And while SMEs have always relied on and had strong relationships with their accounting advisors, the pandemic affirmed and strengthened those relationships.

Small and medium-sized practices (SMPs) are key business advisors to their SME clients, as this past year has shown. SMPs continue to guide SMEs, helping them remain solvent, connecting them with government programmes, providing emotional and practical support and otherwise advancing their efforts to stay in business. All of this while also navigating their own sea of change.

To gauge how the pandemic has altered the range of services SMPs have delivered, the ways SMPs have responded to the new dynamic and the most important issues facing firms everywhere, IFAC informally gathered perspectives from nearly two dozen SMPs representing a diverse mix of countries. The following takeaways paint a picture of the current state of SMPs and their critical importance, particularly to small businesses, under these unique economic circumstances. They also offer a window into how SMPs can turn pandemic pain points into positive long-term transformation for their own practices as they continue to safeguard the critical role SMEs play in communities around the world.

(1) Remote work models and mental health issues create an opening for more transparency and support.

When asked to name the most urgent concerns they face, SMP leaders overwhelmingly pointed to a variety of issues arising from remote work arrangements. Among the most prominent were the adverse effects on employees' and clients' mental health.

For firms that weren't already predominately remote, the new work arrangements strained tech budgets, employee culture, client relationships and productivity. Firms have had to take extra care to maintain a collegial work atmosphere and to keep clients responsive. In jurisdictions where employees are returning to the office, decisions about which pandemic measures to keep and which to do away with have become difficult. SMPs have had to adapt to employees' general preference for remote work and the firms' desire to boost productivity and restore a degree of normality to the workplace.

These challenges led many SMP respondents to identify mental health as a significant concern – for their clients as well as their employees. Several firms reported that clients' anxiety and mental burnout have created an additional work challenge. Several accountants said it was important for them to remain calm and reassuring as they ran through clients' financial options, and to keep their focus on the task at hand. One accountant in the United Kingdom described the need to "be there almost as a friend".

The emotional toll felt among SMEs and SMPs has, in many cases, had the unforeseen benefit of forcing SMPs to invest in recalibrating their business operations and in finding balance in their work environments. The opportunity and demand to put in place more intentional mental health resources and more transparent cultures to talk openly about fatigue and burnout is unmistakable and invaluable.

> **Faced with daunting financial realities, small business owners are increasingly turning to their most trusted advisors to ensure long-term viability,** and SMPs are well-positioned to smartly cultivate the immense value only they can provide.

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The profession can use their hard-earned trust during this crisis to broaden their role and continue to provide a wide range of services to support the leadership and decision-making functions of any business.

(2) Accountants' indispensable support elevates the profession's significance among business leadership.

Many governments have offered financial support packages for small businesses during the pandemic, but the disbursement of funds has been complicated by ever-evolving, often convoluted rules and eligibility requirements. In response, SMPs have become *de facto* facilitators, deciphering legalese, directing clients to suitable programmes, assisting with applications and effectively navigating them through the entire process.

An accountant in Germany recalled taking extra steps for a small business owner. "I have a client who operates two truck stops," he said. "Because of his mixed sales (fuel and food), he did not qualify for government subsidies." As his client tightened its belt, he kept a watchful eye on new legislation. When an amendment was passed that made his client eligible, he got to work. "Very quickly, I managed to do all the paperwork with the application of the subsidies, and he received a huge amount of money to get through the rest of the lockdown." An accountant in Tunisia also described the need to stay abreast of the latest COVID-19 regulations and be able to communicate them both clearly and quickly to clients.

SMPs have become their clients' guides beyond their usual scope, underpinning the role of SMPs as drivers of business strategy and long-term value creation. While this can certainly raise the need for closer attention to ethical considerations[1], it has also reinforced the fact that accountants are an integral part of economic resiliency. The profession can use their hard-earned trust during this crisis to broaden their role and continue to provide a wide range of services to support the leadership and decision-making functions of any business.

(3) As SME needs grow, so do the opportunities for SMPs to serve as the trusted advisor.

Some SMPs dread the financial wakeup call that has and will continue to come when government support runs out. Understandably, accountants are concerned that clients' financial troubles could affect their own cash flows. Others point to a long-time fact of working with SMEs – many small business owners offer a valuable product or service but lack robust financial skills.

Nevertheless, as accountants imagine a post-pandemic future, many expect their role with SME clients to continue to grow. An accountant in South Africa suggested that businesses have come to expect their accountants to be vocal advocates for them. For example, "SMEs expect their accountants to negotiate on their behalf with technology companies that can assist them to digitalise their operations," she said.

An accountant in Malta believes that SMPs should embrace this expanded role and help their clients build their businesses back better than they were pre-pandemic. In particular, he contended that accountants should consider helping their clients' businesses become more accessible to customers through a "robust and efficient online shop of their products and services", supporting digitalisation of internal processes and advising on the organisation of hybrid, remote work models.

An Australian accountant captured the value of the profession's strong reputation going into the pandemic: "Professional accountants as trusted advisors were the first people that business owners turned to for help in working out a strategy that would enable them to be able to operate in a COVID world." While the lasting effects of the pandemic on small businesses won't be fully understood for years to come, the respondents revealed a strong international consensus among SMPs that the pandemic has only strengthened this dynamic.

Faced with daunting financial realities, small business owners are increasingly turning to their most trusted advisors to ensure long-term viability, and SMPs are well-positioned to smartly cultivate the immense value only they can provide. ISCA

[1] IESBA. (10 May 2021). "5 ethics challenges that will intensify as the pandemic wanes".

Christopher Arnold is Head of SME/SMP and Research, IFAC.

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BY CAROLINE ZIMMERMAN, THEODOROS EVGENIOU, DARAGH KELLY, AND JOYCE WENG

ASK THE RIGHT QUESTIONS OF YOUR DATA TEAM

Make Information Work For You

PEOPLE OFTEN ASSOCIATE THE TERM "DATA LITERACY" WITH MASTERING A LITANY OF TECHNICAL SKILLS, such as SQL for data querying, Python for data analysis and Tableau for data visualisation, to name a few. However, one skill that is less discussed and has great power to scale data-guided decision making across the organisation is far more basic, though not necessarily straightforward to learn – the ability to ask great questions of a data team.

While this skill can be about setting big strategic directions, it is more often about defining narrower, possibly daily, requests for the team. But what, exactly, are good questions, and how does one go about skilling up an organisation in asking them? With two players in the luxury retail space, Daragh Kelly, VP of Data & Analytics at Burberry, and Joyce Weng, MD of Bulgari UK, we discussed the answer to this and other questions at a recent INSEAD Tech Talk on enabling data-guided leadership and decision making. You can watch the full recording (https://www.youtube.com/watch?v=QVDimF3W5Ec) or continue reading for the key takeaways from our discussion.

WHAT MAKES A GREAT QUESTION FOR A DATA TEAM?

Business stakeholders, particularly those with strategic responsibilities, can vastly improve the quality of their analytical teams' output by asking them great questions at the outset of a project. These should be:

(1) **Strategically important.** If the question doesn't support the organisation's three to five large strategic bets, it's probably not worth pursuing.

(2) **Well-bounded.** Take the example of a large TV channel. The question, "How can I make my shows more successful?", is too large in scope for a data team to approach it analytically. A more specific, and therefore answerable, question is, "Should I be doing more or fewer science-fiction shows?"

(3) **Actionable.** Only questions whose answers can be acted upon are worth the investment; otherwise, they just yield interesting pieces of information that no one can do anything about.

Starting the research process by having a firm understanding of our existing insight on the topic is an obvious, efficient, fast and much-neglected starting position. New questions should be grounded in existing knowledge, rather than dreamt up in a vacuum.

It is often more effective to coach leaders in the art of asking great questions than to rely on "translators" – people who are expected to act as a bridge between business stakeholders and data talent.

(4) Grounded. Starting the research process by having a firm understanding of our existing insight on the topic is an obvious, efficient, fast and much-neglected starting position. New questions should be grounded in existing knowledge, rather than dreamt up in a vacuum.

It is the ability to develop this skill that can turbocharge an organisation's ability to use data to inform decision making. It is often more effective to coach leaders in the art of asking great questions than to rely on "translators" – people who are expected to act as a bridge between business stakeholders and data talent. Although a very select few are brilliant at this, usually these profiles lack the industry expertise or the technical training to be effective in their roles; often, more ends up getting lost in translation than warrants the role.

Asking great questions:

- can turbocharge an organisation's ability to use data to inform decision making
- is an iterative process between business stakeholders and data talent

Asking great questions is not a one-way street. The data team itself can also help refine these questions and challenge stakeholders if they feel that a request is not solving the right problem in the first place. Ideally, asking great questions is an iterative process between business stakeholders and data talent (although how best to develop this skill in analytical talent is beyond the scope of this article).

PRACTISE, PRACTISE, PRACTISE

One of the best ways to develop this skill is to incorporate the practice of asking data-based questions into your daily routine as a business leader. At Bulgari, Weng starts off every morning with a cup of coffee and a scroll through an internal app that gives her access to her most important KPIs, such as sales by channel and store. She uses these data as her starting point for formulating the questions she will ask her team when she gets into the office (or logs into her first Zoom meetings).

- Make it a daily routine to ask data-based questions
- Weigh various interpretations of the same metrics
- Make a decision based on the analyses
- Recommend a plan of action

Generally, Weng asks the same question of various team members – not just analytical talent, but key members of her business team, such as her marketing manager or digital sales team. They may have quite different answers for why e-commerce sales are up compared to last week or why an influencer campaign isn't delivering the sales uplift that was forecasted in the business plan. Her job is to carefully weigh various interpretations of the same metrics before she makes a decision and recommends a plan of action. It is this combination – of looking at the data and then turning to her team of experts to help her draw conclusions from it – that yields a better decision than data or human experience alone.

Weng did not start off her career with this routine. She comes from a PR background – about as far from data and maths as it gets – and earlier in her career, she showed little interest in using data to inform her decisions. It was her mentor and boss at Bulgari in China who instilled this approach in her – which is perhaps more reminiscent of Amazon than the kind of culture one might expect at a luxury retailer. When she first took over the UK office as MD, the team was unaccustomed

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It is this combination – of looking at the data and then turning to her team of experts to help her draw conclusions from it – that yields a better decision than data or human experience alone.

to drilling down into the numbers at that level. It took several months of coaching before they came prepared for meetings not just with a presentation but the spreadsheets and graphs – the data – to back up their conclusions.

THE ART OF THE POSSIBLE WITH DATA AND AI

While this process is highly effective for business-as-usual, how does one generate the kinds of ideas that can yield the more innovative applications of data and AI? An example of such an application is Burberry's use of computer vision to determine the effectiveness of window displays in drawing foot traffic to stores. This project, which used window display features such as colour schemes, the display design and store location to predict store footfall, was borne out of an impromptu conversation between Burberry's Kelly and the visual merchandising team.

Looking to scale this kind of interaction, Kelly established the insights hub – a newsroom-like part of his team which is run, not incidentally, by a journalist – with the purpose of educating stakeholders in what is possible with data and AI. This journalist communicates what the data team is working on to the rest of the organisation, such as the computer vision for store windows example, via a weekly newsletter called "The Friday Fix". These internal examples are meant to catalyse ambition, build understanding and encourage other departments within Burberry to think about how data and AI could help them attain their goals, using their own colleagues' achievements as inspiration. Stakeholders are encouraged to think outside the box and ask Kelly's team questions that they otherwise would not have realised were possible to ask.

HOW TO PRIORITISE?

However, asking great questions is only the starting point for creating value-added data products. It is the data team's job to help the leadership team determine which questions to prioritise. Most companies simply follow an investment grid where they plot impact (for example, revenue gains, increase in net promoter score) over effort (technical costs), and start with initiatives that deliver the most impact for the least effort. However, this equation often overlooks two critical considerations – stakeholder enthusiasm and time horizon.

It is best to have a portfolio of data initiatives that deliver value in the near, medium and long term. The short-term initiatives pay the rent – projects that establish the data team as a profit rather than a cost centre. The longer-term investments are generally foundational investments, for example, in data governance and quality, whose payoffs aren't as clearly measurable but are necessary for scaling. This investment horizon should be combined with identifying stakeholders who are truly up for it – people with a genuine appetite for exploring the power of data and AI.

Stakeholder enthusiasm is crucial because the road to deriving sustained value from these technologies is often long and dotted with failures. Only once these considerations have been firmly established does it make sense to plot use cases on the impact/effort grid and build a roadmap from there.

Of course, it takes more than an effective prioritisation grid to deliver successful outcomes. These require maintaining engagement and delivering technically every step of the way. But framing the problems correctly in the first place – making sure that stakeholders are asking the right questions – provide the foundations for these iterations to succeed. ISCA

Caroline Zimmerman is Research Associate, INSEAD; Theodoros Evgeniou is Professor of Decision Sciences and Technology Management, INSEAD; Daragh Kelly is VP, Data & Analytics, Burberry, and Joyce Weng is Managing Director, Bulgari UK.

TECHNICAL HIGHLIGHTS

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AUDITING AND ASSURANCE

ISCA ISSUES AGS 13, *DATA ANALYTICS IN A FINANCIAL STATEMENTS AUDIT*

To enhance the quality of audits and more effectively deal with large volumes of data, data analytics tools and techniques are increasingly employed in the audit of financial statements. AGS 13 provides guidance for auditors on the key principles and illustrative examples of the application of data analytics in the audit of financial statements.

For more information, please visit https://isca.org.sg/content-item?id=6189cd59-e7f6-4974-be48-fff1dcc98059

FINANCIAL REPORTING

ISCA INVITES COMMENTS ON IASB'S ED ON SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES

ISCA seeks comments on IASB's Exposure Draft (ED) on *Subsidiaries without Public Accountability: Disclosures*. Please send comments to technical@isca.org.sg by 10 December 2021.

For more information, please visit https://isca.org.sg/content-item?id=fa497782-74e0-42d0-8a3f-050ec27f8a5f

IASB WEBINAR ON THE THIRD AGENDA CONSULTATION

This webinar on 14 July 2021 provided an overview of the agenda consultation and gave participants an opportunity to ask questions. The recording of the webinar can be found on the IASB website and YouTube Channel.

For more information, please visit https://www.ifrs.org/news-and-events/news/2021/07/forthcoming-webinar-on-the-third-agenda-consultation/

WEBINAR: BUSINESS COMBINATIONS UNDER COMMON CONTROL – INITIAL QUESTIONS AND COMMENTS

This webinar on 30 June 2021 discussed feedback received in the initial outreach activities and addressed some of the frequently asked questions from stakeholders. The recording of the webinar can be found on the IASB website and YouTube Channel.

For more information, please visit https://www.ifrs.org/projects/work-plan/business-combinations-under-common-control/webinar-recording-bcucc-initial-questions-and-comments/

IASB SECOND WEBINAR: Q&A ON HOT TOPICS IN THE ED DISCLOSURE REQUIREMENTS IN IFRS STANDARDS

This webinar featured a Q&A session with Board Members Tadeu Cendon and Tom Scott, exploring in more detail the proposed new approach to developing disclosure requirements in IFRS Standards. The recording of the webinar can be found on the IASB website and YouTube Channel.

For more information, please visit https://www.ifrs.org/projects/work-plan/standards-level-review-of-disclosures/second-webinar-q-a-on-hot-topics-in-the-exposure-draft-with-board-members-tadeu-cendon-and-tom-scott/

IASB WEBINAR ON ED MANAGEMENT COMMENTARY

This webinar on 13 July 2021 provided an overview and discussed the proposals in the ED for consultation. The recording of the webinar can be found on the IASB website and YouTube Channel.

For more information, please visit https://www.ifrs.org/news-and-events/news/2021/06/webinar-to-be-held-on-ed-management-commentary/

SUSTAINABILITY REPORTING

ISCA COMMENTS ON IFRS FOUNDATION TRUSTEES' ED ON PROPOSED TARGETED AMENDMENTS TO THE IFRS FOUNDATION *CONSTITUTION* TO ACCOMMODATE AN ISSB TO SET IFRS SUSTAINABILITY STANDARDS

ISCA broadly agrees with the proposed targeted amendments to the IFRS Foundation *Constitution*. However, we provided feedback that additional differentiation is required between the IASB and ISSB, particularly in consideration of the stakeholders beyond capital markets. We also suggested for the Trustees to (i) dedicate a chapter in the *Constitution* to specify how the ISSB should work closely together with the IASB; and (ii) include the word "reporting" in the names of the new board and its associated standards to avoid ambiguity over the ISSB's objectives.

For more information, please visit https://isca.org.sg/docs/default-source/sustainability/comment-letters/comment-letter-to-ifrsf-(submission).pdf

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INCONSISTENCIES IN INTERNATIONAL/SINGAPORE FINANCIAL REPORTING STANDARDS

Notes For Preparers And Users Of Financial Statements

AS MOST ACCOUNTANTS ARE WELL AWARE, THERE ARE INCONSISTENCIES IN THE INTERNATIONAL/SINGAPORE FINANCIAL REPORTING STANDARDS. Many of these inconsistencies are, of course, justifiable based on conceptual merits and/or practical expediencies.

The purpose of this paper is to highlight some of the more subtle inconsistencies in the financial reporting standards, not as a critique of the standards, but to bring them to the attention of the preparers and users of financial statements to assist them in the preparation and interpretation of the financial statements.

For ease of discussion, the international standard codes of "IAS" and "IFRS" are used in this paper. But the discussion is equally applicable to the corresponding Singapore equivalents of "FRS" and "SFRS(I)".

TIME VALUE OF MONEY

As all accountants know, there is time value of money, that is, a dollar today is different from a dollar in the future. In order to add (or subtract) the dollars that are to flow in (or flow out) in different time frames, it is essential to re-state all of them into either today's dollar or a future date's dollar. This is very much like the difference between a Singapore dollar (S$) and a United States of America dollar (US$). To add or subtract, the dollars have to be re-stated to the same basis (either all in S$ or US$).

The first financial reporting standard that deals with the concept of time value of money was IAS 17 *Accounting for Leases* issued in 1982, which became effective in 1984. IAS 17 (1982) (and all the subsequently-revised IAS 17 *Leases* and IFRS 16 *Leases*) requires all future lease payments to be re-stated at their present value before they are added together to arrive at the initial amount of the leased assets (or, right-of-use assets under IFRS 16) and lease liabilities.

All the financial reporting standards issued by International Accounting Standards Committee prior to IAS 17 do not embody the concept of time value of money. IAS 2 *Inventories*, for example, requires inventory to be measured at lower of cost and net realisable value, but it does not require the net realisable value to be re-stated at its present value before it is compared to the cost, even though the net realisable value will flow in only months (or years, for entities with very long operating cycles) in the future. Also, IAS 16 *Property, Plant and Equipment* requires the residual value to be deducted from the cost of depreciable assets in the computation of depreciation charge, but it does not require the residual value to be re-stated at its present value before it is deducted from the cost, even though the residual value will flow in only many years in the future. (Of course, IAS 16 now does require the provision for decommissioning/dismantlement

> ... as far as time value of money is concerned, different financial reporting standards have different requirements.

to be accounted for at its present value, but this requirement was only added in a more recent amendment to IAS 16.) It should be noted that IAS 12 *Income Taxes* also does not require deferred tax liabilities to be discounted to take into account the time value of money. But this is because it is not possible to calculate the present value of the deferred tax liabilities as the timing of settlement/reversal of the deferred tax liabilities is highly uncertain. As a consequence, the deferred tax liabilities presented in the financial statements very much over-state the amount of entities' present obligations.

The financial reporting standard that provides for the conceptual/practical basis of accounting for time value of money is IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 requires accounting for time value of money "where the effect of the time value of money is material" (paragraph 45). Time value of money is, of course, dependent on two variables, namely, (i) the discount rate (which is the market interest rate adjusted for specific asset/liability risk), and (ii) the time period. A high discount rate even with a short time period, or a low discount rate but with a long time period, will make the effect of the time value of money material.

It is interesting to note that IFRS 15 *Revenue from Contracts with Customers* also requires accounting for time value of money, but only if there is a significant financing component (paragraph 60). IFRS 15 also provides for a one-year exemption as a practical expediency. The following short cases will illustrate the provisions of IFRS 15:

- **Case A:** Entity transfers goods to customer for $100 on 1/1/20x1, and payment is due on 30/6/20x1. In this case, there is a sales and a financing component, but because it falls within the one-year exemption, time value of money need not be accounted for. As a consequence, the sales will be recorded at $100.
- **Case B:** Entity transfers goods to customer for $100 on 1/1/20x1, and payment is due on 31/12/20x3. In this case, there is a sales and a financing component and accordingly, time value of money has to be accounted for. As a consequence, the sales will be recorded at the present value of $100 discounted for three periods at a discount rate that represents the customer's incremental borrowing rate (also, interest income arising from the financing component has to be accounted for).
- **Case C:** Customer pays $100 to an entity on 1/1/20x1, and the entity transfers goods to the customer on 31/12/20x3. In this case, there is a sales and a financing component and accordingly, time value of money has to be accounted for. As a consequence, the sales will be recorded at the future value of $100 compounded for three periods at an interest rate that represents the entity's incremental borrowing rate (also, interest expense arising from the financing component has to be accounted for).
- **Case D:** If, in case C above, the $100 paid on 1/1/20x1 is a deposit to secure delivery of goods on 31/12/20x3, then there is no financing component and the time value of money need not be accounted for and consequently, the sales in 20x3 will be recorded at $100.

There are three financial reporting standards that deal with contingent payments, namely, IAS 37, IFRS 3 *Business Combinations* and IFRS 16 *Leases*. However, each of them requires a different accounting treatment for contingent payments.

So, as far as time value of money is concerned, different financial reporting standards have different requirements. Preparers and users of financial statements should take cognition of this inconsistency in order to prepare and interpret financial statements correctly.

CONTINGENT PAYMENTS

There are three financial reporting standards that deal with contingent payments, namely, IAS 37, IFRS 3 *Business Combinations* and IFRS 16 *Leases*. However, each of them requires a different accounting treatment for contingent payments.

IAS 17 requires an entity to assess the probability that an outflow of resources embodying economic benefits will be required to settle the obligation as one of the recognition criteria. The probability is then categorised into (i) probable (more likely than not), (ii) possible, or (iii) remote. Only those contingent payments where the probability of an outflow of resources embodying economic benefits required to settle the obligation is assessed to be probable are recognised as liabilities (provisions); those that are possible are not recognised as liabilities but disclosed as contingent liabilities in the notes to financial statements, and those that are remote are to be ignored.

IFRS 3 requires recognition of all contingent payments regardless of the probability that an outflow of resources embodying economic benefits will be required to settle the obligation. Basically, IFRS 3 adopts the principle that the probability that an outflow of resources embodying economic benefits will be required to settle the obligation should only affect the measurement, and not the recognition, of the liability.

The inconsistency in the recognition of contingent payments between IAS 37 and IFRS 3 results in many contingent payments that are not recognised at subsidiary level (which applies IAS 37) but are recognised at group level (which applies IFRS 3).

Incidentally, it may be noteworthy that the new Conceptual Framework for Financial Reporting (2019) provides that probability of future inflow or outflow of resources embodying economic benefits should affect measurement and should not affect recognition of assets and liabilities.

IFRS 16 provides that contingent lease payments (for example, lease

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payments that are contingent upon lessee's profit exceeding certain amount should not be initially accounted for as part of the lease liability and right-of-use asset. Instead, these contingent lease payments should be recognised in profit or loss in the periods in which the event or condition that triggers those payments occurs (paragraph 38).

Preparers and users of financial statements should take cognition of the fact that the three financial reporting standards require different accounting treatment for contingent payments. IAS 37 only requires recognition of those contingent payments where the probability of an outflow of resources embodying economic benefits required to settle the obligation is assessed to be probable. IFRS 3 requires recognition of all contingent payments regardless of the probability of an outflow of resources embodying economic benefits required to settle the obligation. IFRS 16 provides that no contingent lease payments should be initially recognised, but only to write them off as profit and loss when incurred.

COST OF FINANCING

In business undertakings, both equity and debt are required to finance the operation. So, both the cost of equity financing and the cost of debt financing are part of the costs of doing business. However, the financial reporting standards only require the cost of debt financing to be accounted for (see IAS 23 *Borrowing Costs*); the cost of equity financing is not accounted for.

To illustrate the issue involved, assuming two managers are managing exactly the same businesses earning the same amount of revenue and incurring the same amount of expenses, except Manager A borrows $100 million from a bank to run his business, whereas Manager B receives the $100 million from the business owners. In this case, the financial reporting standards (IAS 23) require the interest on the bank borrowing to be charged to Manager A's income statement, whereas nothing will be charged to Manager B's income statement relating to the use of the equity financing. Manager B's income statement will therefore show a higher profit, which may mislead users of

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financial statements into believing Manager B performs better than Manager A.

CREDIT RISKS

Third-party credit risk (that is, bad and doubtful debt) has been accounted for from the very first days financial statements were prepared and presented. Even before any financial reporting standards formalised it, third-party risk has been accounted for by applying the matching principle. Third-party credit risk accounting was subsequently formally required under IAS 39 *Financial Instruments: Recognition and Measurement* since 2005, and under IFRS 9 *Financial Instruments* since 2008. However, own credit risk has never been accounted for, until IFRS 9 requires accounting for own credit risk but only for those liabilities that are designated as fair value through profit and loss (paragraph 5.7.7).

To illustrate the issue that may arise from recognising third-party credit risk and not recognising own credit risk, assume that ABC Ltd borrows a $10-million term loan from XYZ Bank (both accounted for at amortised cost). After some years, ABC Ltd faces financial difficulty and is not able to service its term loan. Quite obviously, under IFRS 9, XYZ Bank will account for third-party credit risk and write down its loan receivable from $10 million to, say, $6 million. But there is no financial reporting standard that requires ABC Ltd to account for its own credit risk and to write down the loan payable from $10 million to $6 million. Of course, there are conceptual and practical reasons why ABC Ltd does not or is not allowed to write down its loan payable. However, one consequence of accounting for third-party credit risk and not accounting for own credit risk is that the term loan will be carried at different amounts in XYZ Bank's financial statements ($6 million), and in ABC Ltd's financial statements ($10 million).

LINKAGE BETWEEN ACCOUNTING TREATMENT AND UNDERLYING ECONOMICS

As there are differences in underlying economics, many financial reporting standards therefore provide for different accounting treatments.

> ... both the cost of equity financing and the cost of debt financing are part of the costs of doing business. However, the financial reporting standards only require the cost of debt financing to be accounted for; the cost of equity financing is not accounted for.

However, some financial reporting standards require a linkage between the accounting treatment and the underlying economics while some do not. Two financial reporting standards, namely, IAS 2 and IAS 16, are analysed to illustrate the inconsistency and the consequences arising thereof.

To take cognition of the fact that entities do sell goods with different flow patterns (for example, some sell older inventories first, some sell newer inventories first, and some sell inventories in a random manner), IAS 2 provides for various cost flow assumptions in the determination of the cost of inventories, namely, first-in-first-out, weighted average, and specific identification. However, IAS 2 does not specifically provide for a linkage. IAS 2 does not, for example, provide that if an entity sells goods on a first-in-first-out basis, it should adopt the first-in-first-out method. Therefore, under IAS 2, the choice of the cost flow assumption in determining the cost of inventories is an accounting policy choice (and consequently, a change in the cost flow assumption, for example, changing from first-in-first-out method to weighted average method, will have to be accounted for as a change in accounting policy in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

Similarly, to take cognition of the fact that entities do use their property, plant and equipment with different usage pattern (for example, some property, plant and equipment are expected to be used very intensively when they are new and less intensively as they age, whereas some property, plant and equipment are expected to be used evenly throughout their useful lives), IAS 16 provides for different cost allocation methods (or depreciation method) to determine the depreciation charges, namely, accelerated depreciation method (for example, sum-of-years-digit method), and straight-line method. However, unlike IAS 2, IAS 16 provides for a linkage between the expected usage pattern and the depreciation method. Specifically, IAS 16 requires that "the depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity" (paragraph 60). IAS 16 further provides that "if there has been a significant change in the expected pattern of consumption of the future economic benefit embodied in the asset, the (depreciation) method shall be changed to reflect the changed pattern" (paragraph 61), and consequently, a change in depreciation method should be "accounted for as a change in an accounting estimate in accordance with IAS 8" (paragraph 61).

CONCLUSION

There are several inconsistencies in our financial reporting standards. Many of these inconsistencies are justifiable based on conceptual merits and/or practical expediencies. It is imperative that preparers and users of financial statements are aware of these inconsistencies in order to prepare the financial statements correctly and to interpret the financial statements in the right context. ISCA

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BY FELIX WONG

GST TREATMENT OF DIGITAL PAYMENT TOKENS

Practical Implications For Businesses

THERE WAS A TIME WHEN TAXATION OF EXCHANGE OF GOODS AND SERVICES WOULD DEPEND ONLY ON THE LOCATION where the title to the goods was transferred or where services were performed. The subsequent arrival of e-commerce then prompted lawmakers to put in place new Goods and Services Tax (GST) legislation to try and tax online shopping activity because of the disincentive to transact locally when transacting internationally could be done without being subject to tax. Further technological breakthroughs powering new digital products (such as cloud computing and software as a service) continued to add on new layers of complexities to the GST system.

Blockchain is the latest digital technology to enter the fray. The revolutionary technology has opened up a new realm of opportunities for businesses and individuals. Decentralised finance (DeFi), for example, is a blockchain-based form of finance utilising smart contracts and is poised to take on traditional financial intermediaries around the world.

To help tax professionals navigate the novelty of the digital currency landscape, Accredited Tax Advisor (GST) Richard Mackender, Indirect Tax Leader, Deloitte Southeast Asia and Singapore, and Accredited Tax Advisor (Income Tax) Kwan Chang Yew, shed light on IRAS' GST guidance on "Digital Payment Tokens" (DPTs) and the practical implications for businesses in a recent webinar organised by the Singapore Chartered Tax Professionals.

Accredited Tax Advisor (GST) Richard Mackender (left), Indirect Tax Leader, Deloitte Southeast Asia and Singapore, and Accredited Tax Advisor (Income Tax) Kwan Chang Yew shed light on the digital currency landscape at a recent webinar

BLOCKCHAIN AND CRYPTOCURRENCY

Blockchain

The concept of blockchain is inherently captured within its name – each record of a digital transaction, referred to as a "block", is maintained as a growing list of data records known as a "chain". Essentially, blockchain is a ledger of digital transactions with data recorded and structured in blocks and chained together in chronological order, and is duplicated and distributed across the entire network of computer systems on the blockchain.

> If a company is using DPTs to pay for goods or services, it is not a supply for GST purposes.

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Cryptocurrency

Cryptocurrency is a digital or virtual currency that enables anyone anywhere to send and receive payment securely through a peer-to-peer system based on blockchain technology. Examples of cryptocurrencies include Bitcoin and Ether.

How cryptocurrency is revolutionising the financial sector

In a traditional financial system, multiple intermediaries would generally be involved to effect a single payment. Each intermediary would validate and maintain its own data records separately to ensure that the financial transaction is secured and accurate. This would inevitably lead to slower payments and added fees, not to mention exposures to foreign exchange risks for overseas payments.

In contrast, cryptocurrencies (like Bitcoin) are built on public blockchains that allow anyone to send and receive payments, cutting down the need for trusted third parties to verify transactions and giving people around the world access to fast, cheap and borderless payments.

IRAS' GUIDANCE: GST TREATMENT OF TRANSACTIONS INVOLVING DIGITAL PAYMENT TOKENS

On 19 November 2019, the Inland Revenue Authority of Singapore (IRAS) published an e-Tax Guide on "Digital Payment Tokens" to set out the GST treatment of transactions involving digital tokens or cryptocurrencies that function or are intended to function as a medium of exchange with effect from 1 January 2020.

It is important to note that the GST treatment stipulated in the e-Tax Guide is specifically carved out for DPTs. The GST treatment for digital tokens that do not qualify as DPTs is not covered by the e-Tax Guide; supplies of such digital tokens will continue to be regarded as taxable supplies of services (unless they fall under the prescribed list of exempt financial services under Part I of Fourth Schedule to the GST Act).

> While the GST treatment for DPTs is clearly stipulated in the IRAS e-Tax Guide, one practical challenge is that the digital token may not fall squarely under the definition of a DPT or otherwise.

Definition of DPT

A digital token refers to any cryptographically-secured digital representation of value that can be transferred, stored, or traded electronically, while a DPT is defined as a digital token that has the following characteristics:

(a) it is expressed as a unit;
(b) it is designed to be fungible (such that the digital token can be used interchangeably as consideration);
(c) it is not denominated in any currency, and is not pegged by its issuer to any currency;
(d) it can be transferred, stored, or traded electronically;
(e) it is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, without substantial restrictions on its use as consideration;

but does not include:

(f) money;
(g) anything which, if supplied, would be an exempt supply under Part I of Fourth Schedule to the GST Act (for example, cryptocurrencies that are backed by gold or pegged to fiat currencies);
(h) anything which gives an entitlement to receive or to direct the supply of goods or services from a specific person or persons and ceases to function as a medium of exchange after the entitlement has been used (for example, loyalty points issued by retailers, or game credits that cannot be used outside of the online game).

Supply of DPTs

Prior to 1 January 2020, IRAS considered the supply of virtual currencies as a taxable supply of services. Accordingly, 7% GST applied to these transactions unless the zero-rating provision is applicable under Section 21(3) of the GST Act.

IRAS has since reviewed its position and revised the GST treatment for DPTs with effect from 1 January 2020 to better reflect the characteristics of DPTs.

Specifically, the use of DPTs as payment in respect of any transaction (other than a transaction for a supply of fiat currency or other DPTs) is now disregarded as a supply for GST purposes under the GST (Excluded Transactions) Order. In other words, if a company is using DPTs to pay for goods or services, it is not a supply for GST purposes.

On the other hand, supplies of DPTs by way of exchange of DPTs for fiat currency or other DPTs, or the provision of any loan, advance or credit of DPTs, constitute an exempt supply. Consequently, businesses that trade in DPTs are no longer liable for GST registration even if the annual turnover from the trade exceeds $1 million, as the supplies of the tokens are exempt supplies.

GST-registered businesses that are making both taxable supplies and exempt supplies of DPTs are partially exempt, and accordingly may have to apportion their input tax and be subject to reverse charge.

Value of supply

Depending on the type of transaction, the value of supply to be reported in the GST return would depend on different criteria.

- When receiving DPTs as consideration for the supply of goods or services, the value of supply is the open market value of the goods and services supplied.
- When exchanging DPTs for fiat currency or other DPTs, the value of supply is either the realised gain/loss from the exchange, or the proceeds received.
- When making loans of DPTs, the value of supply is the interest income received.

Time of supply

The general time of supply rule based on the earlier of the date of invoice or date of receipt of consideration also applies to DPT transactions. Suppliers of goods or services in return for DPTs may regard the date of receipt of consideration as the date when the payment is validated on the blockchain.

Belonging status of customers

The belonging status of customers is relevant as while the supply of DPTs is an exempt supply, the business can zero-rate the supply (and hence claim the input tax that is otherwise not allowed) if the supply is:
- contractually made to a person who belongs in a country outside Singapore, and
- directly benefits a person belonging outside Singapore or a GST-registered person in Singapore.

The current GST rules on determining belonging status of customers will continue to apply for issuers, transferors, and sellers of DPTs. The use of proxy indicators is also allowed in instances where the supplier is unable to reasonably verify the belonging status of the customer. Specifically, the supplier is required to obtain and maintain at least two pieces of non-conflicting evidence out of three proxy categories (that is, payment proxy, residence proxy, and access proxy).

PRACTICAL CONSIDERATIONS FOR BUSINESSES

Businesses intending to introduce cryptocurrencies or integrate cryptocurrencies into their existing model should consider the following:

(a) Is the business supplying DPTs, digital tokens other than DPTs, or a mixture of both?
- The characterisation of the digital tokens would determine if the supply were a taxable supply of services, disregarded under the the GST (Excluded Transactions) Order, or exempt under Fourth Schedule of the GST Act.

(b) Where and how would the business maintain the required information to support the belonging status of customers?
- The business should ensure that its systems are capable of maintaining the information and supporting documents required to substantiate its input tax claims.

(c) Would the business' intended activities make it a partially exempt trader?
- The business should evaluate the nature of the supplies it makes or is intending to make to see if the supplies comprise both taxable and exempt supplies, making it a partially exempt trader.

(d) Has the business considered reverse charge and GST input tax apportionment?
- If the business is a partially exempt trader, it should assess whether the value of its exempt supplies of DPTs exceeds the threshold under the De Minimis Rule. If so, GST input tax apportionment and reverse charge on services acquired from overseas suppliers may apply.

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BLURRED LINES AND GREY AREAS

While the GST treatment for DPTs is clearly stipulated in the IRAS e-Tax Guide, one practical challenge is that the digital token may not fall squarely under the definition of a DPT or otherwise. A DPT, based on IRAS' definition, is not denominated in any currency, and is not pegged by its issuer to any currency. In practice, a digital token may be pegged to another digital token or DPT (instead of a fiat currency). It is unclear whether in such cases, the digital token would still qualify as a DPT for GST purposes.

As businesses and financial institutions explore the emerging digital space of blockchain and cryptocurrencies, the lines will be blurred, the boundaries will be pushed, and the existing GST rules will be challenged. In this regard, tax advisors and taxpayers would be wise to keep abreast of the latest tax updates as blockchain and cryptocurrencies continue to evolve. Where the tax position is unclear, businesses moving into the brave new world of blockchain and cryptocurrencies may consider an advance ruling to manage their tax exposure. ISCA

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