

March 2020

ISCA Financial Reporting Bulletin 1

**FRB 1:**

Frequently Asked Questions on application of  
Financial Reporting Guidance 1 (“FRG 1”)

## **About the Institute of Singapore Chartered Accountants**

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community. There are over 32,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

Established in 1963, ISCA is an advocate of the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub.

ISCA is the Designated Entity to confer the Chartered Accountant of Singapore – CA (Singapore) – designation.

ISCA is a member of Chartered Accountants Worldwide, a global family that brings together the members of leading institutes to create a community of over 1.8 million Chartered Accountants and students in more than 190 countries.

For more information, visit [www.isca.org.sg](http://www.isca.org.sg).

## **About ISCA's Technical Division**

As the national accountancy body, ISCA is committed in supporting our members in their careers as they progress and rise to challenges faced along the way. ISCA's Technical Division provides technical support in areas of audit & assurance, financial reporting, sustainability reporting, ethics and specialised industries such as capital markets, banking and finance and insurance; and communicates insights and views to our members and the wider accountancy community. Through our technical committees that comprise representatives from various stakeholders in the corporate reporting eco-system, we hear issues from the ground and conceive initiatives to promote and enhance quality, consistency and best practices to uphold technical excellence.

## **About ISCA's Financial Reporting Committee**

ISCA's Financial Reporting Committee (FRC) is chaired by Mr Reinhard Klemmer and comprises representatives from legal and accounting firms, corporate, regulators and academia in the financial reporting eco-system. FRC's terms of reference include monitoring policy and implementation issues relating to the development of accounting standards internationally and in Singapore, and to identify, understand and address accounting issues faced by professional accountants in Singapore, and provide support through the issuance of guidances.

The terms of reference are executed through FRC with the support of two Sub-Committees, namely the Core Sub-Committee and the Valuation Sub-Committee. The FRC Core Sub-Committee is the technical accounting arm of FRC and comprises various technical accounting subject matter experts from accounting firms. The Core Sub-Committee engages in technical deliberations on emerging accounting issues in Singapore and new or revised accounting developments proposed by the international accounting standards setter.

## Background

In November 2019, ISCA issued the FRG 1 under its Financial Reporting Codification Framework. FRG 1 facilitates the valuation process among the valuer, client and auditor for real property valuation that is intended to be used for financial reporting under Singapore Financial Reporting Standards (International) (“SFRS(I)s”), International Financial Reporting Standards (“IFRSs”) or Financial Reporting Standards issued by the Accounting Standards Council (“FRSs”).

In anticipation of questions relating to the application of FRG 1, ISCA is issuing this set of FAQs to assist ISCA members in applying the FRG 1.

### **FAQ 1 – How soon are entities expected to apply FRG 1?**

FRG 1 essentially affirms the application of existing requirements in the financial reporting standards by setting out the following:

- The appropriate basis of value for financial reporting purposes is fair value as defined in SFRS(I) 13 *Fair Value Measurement*<sup>1</sup>.
- Key considerations relevant to SFRS(I) 13 when determining the scope of work for valuation of real property interest for the preparation of financial statements in accordance with SFRS(I)s, IFRSs or FRSs.
- Relevant requirements in SFRS(I) 13 about valuation information to be disclosed in the financial statements to meet the reporting entity’s financial reporting responsibility when preparing the financial statements.

As the key requirements of SFRS(I) 13 have not changed since its issuance in 2011, ISCA does not anticipate that entities would require extensive periods of time to apply FRG 1 and implement any necessary changes.

It would be reasonable to expect entities to implement any necessary changes resulting from FRG 1, **as soon as practically possible**.

### **FAQ 2 – Are entities required to state compliance with FRG 1 in their financial statements?**

No. Unlike the financial reporting standards, entities are not required to state compliance with FRG 1 in their financial statements.

### **FAQ 3 – Is FRG 1 applicable to real estate properties located overseas?**

As stated in the Preface of FRG 1, although FRG 1 is written with the Singapore context in mind, the best practices shared in FRG 1 would also apply to valuation of properties outside Singapore for financial reporting under SFRS(I)s, IFRSs or FRSs.

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<sup>1</sup> SFRS(I) 13 is identical to IFRS 13 *Fair Value Measurement* and FRS 113 *Fair Value Measurement*

***FAQ 4 – If an entity does not obtain a Scope of Work or Valuation Report which contains all the information stipulated in FRG 1, would this constitute a departure from FRG 1?***

Not necessarily.

FRG 1 essentially affirms the application of existing requirements in the financial reporting standards in the valuation of real property interests by stipulating the considerations for the scope of work and the valuation report.

As the valuation is undertaken in accordance with the scope of work, it is important that the requirements (which take into account the considerations set out in FRG 1) are clearly set out in the scope of work. The valuation report should also contain **sufficient information** to allow the reporting entity and the auditor to make their own assessment whether the valuation has been undertaken in accordance with SFRS(I) 13.

Where entities have obtained a Scope of Work or a Valuation Report which does not contain all the information stipulated in FRG 1, entities should assess whether the valuation that was performed is meeting the fair value measurement objective of SFRS(I) 13. The assessment should also be properly documented.

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