

April 2020

ISCA Financial Reporting Bulletin 4

FRB 4:
Frequently Asked Questions on application of
ISCA Financial Reporting Codification Framework

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.

About ISCA's Technical Division

As the national accountancy body, ISCA is committed to 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 guidance.

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 its Financial Reporting Codification Framework¹ (“Framework”). By establishing formal categories, degrees of authority and due process for the issuance of any technical contents by ISCA, the Framework establishes credence to ISCA technical contents, promulgate ISCA’s view and promote and enhance quality, consistency and best practices to uphold technical excellence.

The Framework classifies technical contents into three categories:

- (1) Financial Reporting Practice (“FRP”)
- (2) Financial Reporting Guidance (“FRG”)
- (3) Financial Reporting Bulletin (“FRB”)

With the Framework in place, members of the public would have the opportunity to provide comments and feedback upon exposure of technical contents. This due process would facilitate better adoption and application by the financial reporting ecosystem.

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

FAQ 1 – How soon are entities expected to apply the technical contents issued under the Framework?

It depends on the category under which the technical content is issued.

Financial Reporting Practices (FRPs)

FRPs are sector-driven recommendations on financial reporting for specialised industries, sectors or areas of work, or which supplement accounting standards and other legal and regulatory requirements in the light of special factors prevailing or transactions undertaken in that particular industry, sector or area of work that are not addressed in accounting standards.

The effective date of an FRP is stated within the FRP.

Financial Reporting Guidances (FRGs)

FRGs are issued to share the technical views and insights on specific financial reporting issues, and/or best practices in an area/industry.

As FRGs essentially affirm the application of existing requirements in the accounting standards, it would be reasonable to expect entities to implement any necessary changes resulting from FRGs, **as soon as practically possible**.

¹ <https://isca.org.sg/tkc/fr/financial-reporting-codification-framework/>

Financial Reporting Bulletins (FRBs)

FRBs contain discussions and highlight of emerging topical financial reporting issues in Singapore.

It is not mandatory to apply FRBs but ISCA members are encouraged to read FRBs to be kept abreast of emerging topical issues.

FAQ 2 – Are entities required to state compliance with technical contents issued under the Framework in their financial statements?

Entities are not required to state compliance with FRGs and FRBs in their financial statements.

FAQ 3 – Are FRGs applicable to assets or liabilities arising from overseas operations?

FRGs should be applied to all assets and liabilities of an entity applying the accounting standards. Although written with the Singapore context in mind, FRGs may be helpful guidance for similar situations in other jurisdictions or situations overseas. Preparers are reminded to apply professional judgment in determining the most appropriate accounting treatment, including the application of the FRGs.

For reference: ISCA Financial Reporting Codification Framework

In November 2019, ISCA issued the ISCA Financial Reporting Codification Framework (Framework). The Framework establishes a formalised categorisation, degrees of authority and a due process for future issuance of ISCA's technical documents. It provides credence to ISCA's technical content, promulgates ISCA's views on the application of accounting standards as well as promotes quality, consistency and best practices in financial reporting.

The Framework is summarised in the table below.

Category	Nature	Degree of authority	Due Process	Highest level of approval
1. Financial Reporting Practice (FRP)	Recommended best practices for financial reporting for specific industries, sectors or transactions	Expected to apply	Public consultation required	ISCA Council
2. Financial Reporting Guidance (FRG)	Technical guidance, views and insights on specific financial reporting issues for specific industries, sectors or transactions	Expected to follow or explain departures	Public consultation required	ISCA Financial Reporting Committee (FRC), with authority delegated by the ISCA Council
3. Financial Reporting Bulletin (FRB)	Technical bulletin containing discussions and highlight of emerging topical financial reporting issues	For information and educational purposes	Public consultation not required	ISCA FRC

For more details on the Framework and the guidance issued under the Framework, please refer to the following:

- Framework – <https://isca.org.sg/tkc/fr/financial-reporting-codification-framework/>
- FRG – <https://isca.org.sg/tkc/fr/financial-reporting-guidances/>
- FRB – <https://isca.org.sg/tkc/fr/financial-reporting-bulletins/>

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