

ISCA Chartered Accountant

March 2017

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

BUDGET 2017

Moving Forward Together

PURSUIT OF HAPPINESS
Fulfilling Choices of Five Female ISCA Members

STEWARDSHIP AND THE ACCOUNTING PROFESSION
Contributing To Sustainable Businesses

FUNDING AND TAX CONCESSIONS FOR SINGAPORE FINTECH STARTUPS

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SATURDAY, 27 MAY 2017
6.30AM - 10.30AM
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PRESIDENT'S MESSAGE

DETERMINATION AND DEDICATION, TOGETHER, WE MOVE FORWARD

Dear members,

Most of us are by now aware of the key points of Singapore's Budget 2017. The Budget Statement, delivered by Finance Minister Heng Swee Keat on February 20, has been analysed by the finance and business community, respective industry and trade bodies, as well as reported extensively by the media.

Budget 2017 is a forward-looking Budget that takes into account major global shifts, disruptions to traditional business models as a result of rapid technological advancements, issues related to the worldwide economic slowdown as well as Singapore's ongoing restructuring. The complex and dynamic business landscape presents some roadblocks to Singapore and its people, and the Budget seeks to address the challenges and seize the opportunities arising. Economically, it is necessary to develop deep capabilities in our firms and workers and forge new partnerships. Socially, deep partnerships are also essential, as underlined by a good balance between government action and community initiative.

Budget 2017 provides near-term support measures, with a targeted approach to address sector-specific requirements; it also takes on board the Committee on the Future Economy (CFE)'s seven mutually-reinforcing strategies for the medium to longer term. The important message is that Singapore has to adapt to the changing environment to thrive and prosper, as the world undergoes deep shifts and disruptions.

Much like the government, the Institute works with determination and dedication, with an eye on the future while keeping up with current happenings. "Moving forward together" – a collaborative approach for advancement – is a view that the Institute subscribes to. This can be seen in the many industry events we organise, often with industry partners, to benefit our members. The ISCA Pre-Budget Roundtable, for example, sought the views of those in the know, and the salient insights were submitted to the government for its consideration for Budget 2017. After the delivery of the Budget Statement, the Institute held a post-Budget focus group session to discuss the implications of the Budget and in particular, how the Budget would impact the accountancy profession.

Given that accounting is considered the backbone of business worldwide, our profession has a significant role to play to ensure the enduring success of Singapore. Discover the highlights of the post-Budget focus group discussion in "Budget 2017", our cover story for this issue.

I had mentioned the CFE Report in an earlier paragraph. This report highlights the importance for Singapore to build a vibrant eco system of hub services for the region. In "The CFE Report", ISCA CEO Lee Fook Chiew shares his thoughts on the four recommendations of the Working Group on Legal and Accounting Services, and their implications for our ISCA members.

March 8 marked International Women's Day, a day to celebrate the various achievements of women. Significant progress has been made by women in the last few decades and women today are a strong presence in the workforce, wear many hats and juggle multiple roles at work and at home. The diverse responsibilities do not leave a lot of time for personal pursuits, although there is tacit recognition that work-life harmony is essential for well-being. In "Pursuits of Happiness", five female ISCA members talk about how they make choices that are fulfilling both personally and professionally.

Within these pages are other resources that are relevant to your work. "Helping Charities Do Good Better" brings to a conclusion our "Accounting for Good" series. The seven articles cover important aspects of accounting for the Charity sector, and how accountants can use their professional skills to level up the sector's financial management so that Charities can strengthen the trust of their stakeholders, and also attain long-term sustainability. Accountants can also contribute to business sustainability by supporting the Singapore Stewardship Principles for Responsible Investors; find out how in "Stewardship and the Accounting Profession".

Accounting is the language of business. To "speak" it well, determination and dedication to being future-ready are important, and together, we can move forward. Have a good read.

Gerard Ee

FCA (Singapore)
president@isca.org.sg



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2017



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IN TUNE

INDUSTRY NEWS



More Millennials Seek Stability, Compared to a Year Ago: Deloitte Millennial Survey

A turbulent 2016 appears to have rattled millennials' confidence, according to Deloitte's sixth annual "Millennial Survey". The findings indicate they are less likely to leave the security of their jobs, are more concerned about uncertainty arising from conflict, and are not optimistic about the directions their countries are going. The findings were revealed through a survey of nearly 8,000

millennials from 30 countries.

Millennials in emerging markets generally expect to be both financially (71%) and emotionally (62%) better off than their parents, which is in stark contrast to the 36% and 31% respectively, from respondents of mature markets. The US is the only mature market where a majority of millennials expects to be better off than their parents. In only 11 of the 30 countries covered does a majority

expect to be "happier" than their parents.

"This pessimism is a reflection of how millennials' personal concerns have shifted," explains Punit Renjen, Deloitte Global CEO. "Four years ago, climate change and resource scarcity were among millennials' top concerns. This year, crime, corruption, war, and political tensions are weighing on the minds of young professionals, which impact both their personal and professional outlooks."

The research findings are based on a study conducted by Deloitte Global of nearly 8,000 millennials representing 30 countries around the globe in September 2016.

PHOTO SHUTTERSTOCK



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3E Accounting Makes Work-Life Balance Possible

Professionals in accounting firms usually face long hours and heavy workloads. Hard work and constant pressure are part and parcel of the job scope.

3E Accounting has the formula right. By putting the needs of employees first, the company has created a healthy work-life balance, and successfully retained talented staff. Anything that is important to their employees is important to the company too - whether it be the needs of children, pets or even travelling.

3E Accounting Walks The Talk

3E Accounting is a pioneer in actively promoting work-life balance. The company thinks outside the box and breaks down traditional boundaries and definitions of what is practical and not.

Managing Director Lawrence Chai believes that work-life balance does not exist in a vacuum, but rather, is fundamentally connected to how bosses lead and manage. Concepts such as professional autonomy, flexibility, time management and prioritizing the needs of the family are all a key part of 3E Accounting's company fabric.

With a team that comprises mostly women, 3E Accounting has established a unique culture that empowers female employees, and meets the demands of modern families.

For example, the firm has invested in an on-site child-friendly playroom, inclusive of nursing area and kids' corner. This provides parents in the company's workforce with tremendous benefits - not only in terms of free child care, but more importantly, comfort and security from having their children nearby at all times.

Flexibility Is The Key

3E Accounting offers its employees the autonomy to manage their individual work schedules, and encourages all staff to enjoy life

outside their careers - be it in their role as parents, or even the pursuit of individual passions. This system has effectively enhanced the team's productivity, enabling staff to work diligently but without the risk of burnout.

The company has implemented an innovative flexible time management system, where employees are welcome to start their daily 8-hour work shift any time between 8 am and 10 am. Staff that work longer hours can accumulate the extra time spent in the company's 'Time Bank', which can then be 'cashed out' anytime for emergencies or a day's leave.

The Benefits of Technology

3E Accounting has wisely made use of technology to enhance work flexibility and reduce manual workload. For example, cloud-based services such as the company's 'Telepresence Robot' enable employees to work remotely, even from home, all while staying in close contact with co-workers. Double Robotics Technology is adopted to successfully enable flexi-time, flexi-load and flexi-place arrangements.

3E Accounting's flexible work culture has paid dividends, with the company winning the prestigious Exemplary Employer Award 2016, organized by the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP). The company was also recently visited by Senior Minister of State, Mrs Josephine Teo, who was very impressed with how 3E Accounting has leveraged on state-of-the-art technology to enhance work flexibility.

A Great Place to Work

Successful work-life balance is built on personal trust and mutual responsibility. 3E Accounting stands apart from other firms because of its unwavering belief that happiness and satisfaction are the key to enabling employees to thrive at their jobs. This belief has helped establish the company as a market leader in today's highly competitive accounting industry.



For more information, please contact us at:

3E ACCOUNTING PTE. LTD.

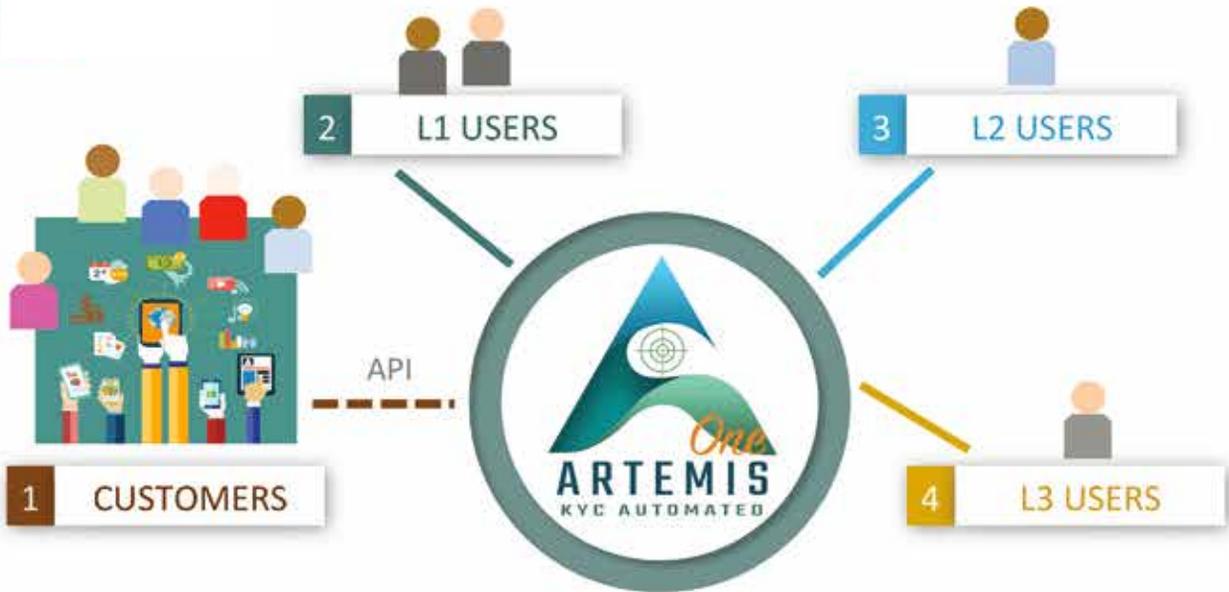
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DOMAINS & USERS

IN TUNE

ISCA NEWS



▲ Thomas Zipperle, Chief Financial Officer, South East Asia, SAP, spoke about the transformation that is taking place in finance in response to the digital economy



▲ ISCA Pathways Development & Qualifications Manager, Melissa Wu, presented a token of appreciation to Mr Zipperle

ISCA BREAKFAST TALK

Finance 2020: Transforming Finance for the Digital Economy

Today's world is increasingly digitalised and interconnected, with new technologies providing opportunities to digitally transform the finance function, giving companies a new competitive edge. It is no longer a secret that companies looking to thrive in the emerging digital economy must transform themselves by rethinking and reimagining everything

about the way they work, and it involves more than simply automating an existing process.

At the February 8 Breakfast Talk, Thomas Zipperle, Chief Financial Officer, South East Asia, SAP, kick-started the session by sharing five key technology trends that have matured and how they are affecting the finance function. He reiterated the importance for accountants and finance professionals

to remain open and adaptable to changes created by these digital and technology developments, and understand how technology can be used to their advantage.

Mr Zipperle also spoke about the changing role of CFOs. He addressed how CFOs can play an important role in supporting their business evolution into the digital economy, providing a new level of business insights and ensuring strong finance operations and compliance.

ISCA CALENDAR OF EVENTS 2017

MARCH

Wednesday	ISCA Budget 2017 Update & its Tax Implications <i>Impact on Corporate Firms & Individuals</i>
07	
Wednesday	ISCA Breakfast Talk <i>Introduction to New Leases Standard</i>
08	

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

UPCOMING

April	ISCA Breakfast Talk
12	
April	ISCA 6 th SMP Dialogue <i>Managing Risks in a VUCA* World</i> <small>*VUCA refers to volatile, uncertain, complex and ambiguous</small>
20	
May	ISCA Breakfast Talk
17	
May	ISCA Quality Assurance Seminar 2017 <i>A biannual seminar for SMPs</i>
22	
May	ISCA Run <i>Register now to enjoy the Early Bird Special!</i> www.iscarun.sg
27	

SAVE THE DATE

October	Singapore Accountancy and Audit Convention <i>Formerly known as the Singapore Accountancy Convention.</i> <i>Look out for more details!</i>
03	

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The CAS XBRL tool, which has been verified by ACRA for the production of XBRL Financial Statements, makes XBRL compliance simple. Our smart data entry and data import options makes preparation of the ACRA XBRL files easy. Once prepared, the files can be directly loaded into ACRA's BizFinx Portal.

IN TUNE

ISCA NEWS



SIATP Offers Gold and Silver of TP Benchmarking Analysis

Offering golden rules and silver bullet advice to cut through the complexities of transfer pricing (TP) benchmarking, the “Breakthrough with TP Benchmarking” technical session on February 9 by the

Singapore Institute of Accredited Tax Professionals was very well received.

Facilitated by Adriana Calderon, Director, Transfer Pricing Solutions Asia - who is a lawyer by training - the

▼ **Discussions continued way past the session’s conclusion**

▲ **Delivering an impactful informative session to an attentive audience of tax agents, in-house tax professionals and academia was Adriana Calderon, Director, Transfer Pricing Solutions Asia**

session was generously peppered with practical highlights, essential tips and valuable insights on the intricacies of TP benchmarking analysis.

Many senior tax professionals and finance executives gave the session two thumbs up. At the end of the half-day session, participants walked away with the golden rules of any TP benchmarking analysis, a better understanding of the underlying principles and the application of these principles through various case studies. Accredited Tax Advisor (Income Tax & GST) Ajay Kumar Nair, Finance Director, Truelink International Shipping Pte Ltd, summed up the sentiments of participants with this feedback, “It was an information-packed session.”

Email enquiry@siatp.org.sg to know more about future technical sessions.



Disciplinary Findings

Upon finding that **Mr Lim Cheng Tea, CA (Singapore)**, had breached Rule 64.6 of the Institute (Membership and Fees) Rules, in that he self-petitioned as a bankrupt on 4 August 2016 and is still an

undischarged bankrupt, the Disciplinary Committee ordered that his name be removed from the register and that he shall cease to be a Member of the Institute with effect from 6 January 2017.



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IN TUNE

ISCA NEWS

ISCA Launches ISCA Accredited Accounting Technician Qualification

ISCA has announced the launch of the ISCA Accredited Accounting Technician (ISCA-AAT) qualification. In support of the government's SkillsFuture initiative, this qualification provides a pathway for individuals from different educational backgrounds to join the profession, broadening and deepening the talent pipeline in the accountancy sector. The qualification is characterised by a well-rounded curriculum that will meet the needs of a challenging workplace and provide students with the flexibility of learning that would help them to balance their career, studies and personal commitments.

WHO ARE ACCOUNTING TECHNICIANS?

Accounting Technicians are qualified accountants who can perform a wide variety of accounting and financial roles, including auditing and assurance, bookkeeping, accounts preparation, costing and credit control, budgeting, payroll administration and tax returns. They are key contributors to businesses and the accountancy profession.

ISCA-AAT OVERVIEW

ISCA-AAT, offered in partnership with the Association of Accounting Technicians (AAT), provides opportunities to aspiring accounting

technicians from various backgrounds to equip themselves with skill sets to meet the demand for competent accounting and finance staff to support senior levels of the profession.

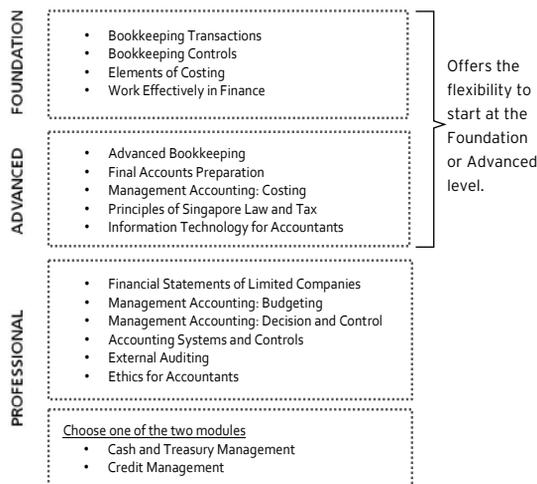
With the signing of the Mutual Recognition Agreement between ISCA and AAT, graduates of the ISCA-AAT qualification with relevant practical experience, are eligible for

both ISCA Affiliate membership and the internationally-recognised AAT full membership (MAAT). As members of ISCA and AAT, these accounting technicians will gain access to a wide range of benefits and courses to help their skills and knowledge relevant.

Pathway



ISCA AAT Qualification Structure



ABOUT THE ASSOCIATION OF ACCOUNTING TECHNICIANS

AAT is the world's leading professional membership body dedicated to the education and development of accounting technicians. AAT trains over 80,000 students every year and has a global membership of 140,000. AAT-qualified staff are recognised by employers worldwide





WHAT ISCA MEMBERS SAY ...

“Technology is fast changing the way that we work. ISCA-AAT prepares students to be ready for a career in accounting and will upskill existing staff, such that they can focus on higher-value work, contributing to higher productivity for businesses.”

LEE SHI RUH
Chief Financial Officer
Genting Singapore PLC

“Accountants will need to reassess the value of their services and acquire new skills to respond to the developments in accounting frameworks and auditing thresholds. On top of the hygiene factors of being an accountant, the ISCA-AAT will also equip accountants with more “people skills”, so that they can interpret data and suggest smart business decisions supported by accounting.”

VICTOR LAI
Managing Director
Boardroom Corporate & Advisory
Services

The qualification comprises 16 modules (which includes one optional module) with on-demand assessments. Depending on their backgrounds, there is flexibility for students to start at the Foundation or Advanced level. During their learning journey, students can choose an approved training provider offering the type of learning best suited to their personal needs and circumstances.

INVESTING IN THE FUTURE

With new technologies and evolving roles of finance professionals, accountants must extend their skill sets to beyond the core technical skills. With increased focus on communications skills, IT skills and professional ethics throughout the qualification, ISCA-AAT students are better prepared for the challenges they will face in the workplace.

Developing an on-the-job training programme including the ISCA-AAT qualification enables you to create a pipeline of talented, loyal individuals whom you can nurture into employees with a firm grounding in essential accounting knowledge and future-ready professional skills.

Find out more about ISCA-AAT today. Visit our website at <http://isca.org.sg/isca-aat>.

BENEFITS OF ISCA-AAT TO BUSINESSES

✓ Tailor-made qualification built for modern workplace

ISCA-AAT provides your staff with the in-demand skills that improve business productivity. Featuring the flexibility to take up individual modules, levels or qualification, ISCA-AAT can be customised to business and individual needs.

✓ Attracting and retaining the best talent

By investing in training, you can increase the value of your workforce and demonstrate your commitment to their career progression.

✓ Delivery of practical skills that make a difference

From their first day of training, ISCA-AAT students learn solid accounting skills and practical knowledge that they can apply directly at work.

✓ Working around you

With its flexibility, ISCA-AAT helps your staff to develop their skills while contributing effectively to your business. Assessments are available throughout the year, allowing your staff to complete the qualification with minimal disruption to work.

✓ Competitive edge for your business

Graduates of ISCA-AAT are eligible to be members of ISCA and AAT. Your staff will be equipped with ongoing professional accounting skills and industry knowledge which will both support their career development and give your business a competitive edge.

CONTACT US

For more information on the ISCA-AAT qualification, please contact ISCA Pathways Development and Qualification at 6597 5610 or iscaaat@isca.org.sg.

IN TUNE

ISCA NEWS



The CFE Report: What the Accountant of the Future Needs to Know



By
LEE FOOK CHIEW

CFE AND ISCA'S RESPONSES FOR THE FUTURE

On February 9, the Committee on the Future Economy (CFE) released its report on how Singapore and its economy can be best positioned for the future. The CFE, building on the work of the earlier Economic Strategies Committee of 2010, was mandated by Prime Minister Lee Hsien Loong to address the challenges and opportunities of economic disruption today.

The CFE report recommended seven key strategies that could secure economic growth for Singapore at an average of 2% to 3% per year, which surpasses the performance of most advanced economies. These strategies include ideas for Singaporeans to acquire and utilise deep skills, build strong digital capabilities, and develop a vibrant and connected city of opportunity.

The report highlighted the importance for Singapore to build a vibrant eco system of hub services for the region, of which professional

services like accounting are key. ISCA has been following closely the developments in the economy, and has paid close attention to the CFE recommendations which call for trade associations and professional bodies to step forward to do more in helping workers to prepare for jobs of the future.

RECOMMENDATIONS BY THE WORKING GROUP ON LEGAL AND ACCOUNTING SERVICES, AND IMPLICATIONS FOR ISCA MEMBERS

A dedicated Working Group on Legal and Accounting Services was set up under the CFE to develop strategies to position Singapore's legal and accounting services sectors for the future. The Working Group underscored that Singapore

should differentiate itself from its competitors by deepening its cross-industry eco system, so companies can anchor more strategic functions and build teams with deep capabilities. This will benefit other parts of the economy, especially professional services.

Recommendation 1 Strengthen Singapore's global market position in accounting services

The Working Group identified nine high-growth practice areas to help drive demand for Singapore's legal and accounting services, seven of which pertain to the accounting sector. The Working Group also recommended that Singapore should catalyse and support the internationalisation of Singapore's accounting firms.

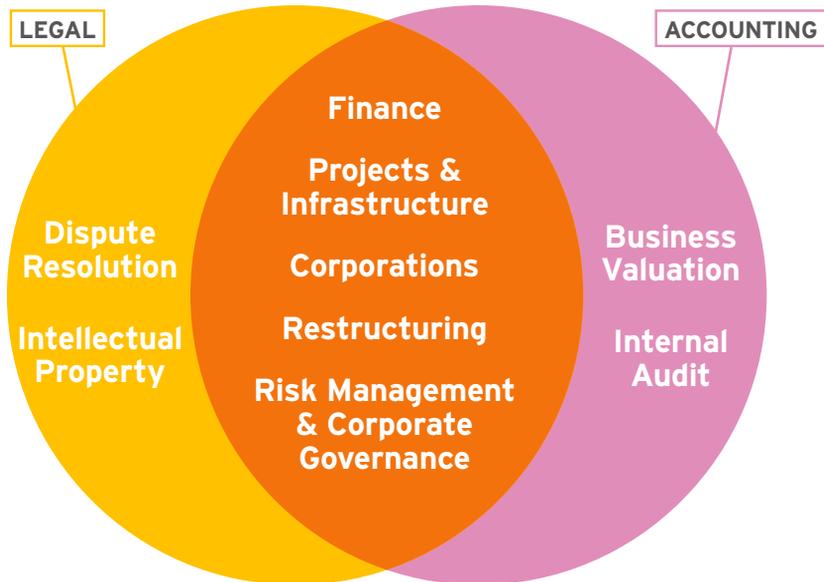
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The “Our Future Together” report, jointly released by ISCA and the Institute of Chartered Accountants in England and Wales in June 2016, shared the recommendation of the Working Group that enterprising accountants need to look beyond conventional accounting services and build future specialisations such as business valuation, risk management, strategic planning and performance management.

Since 2013, ISCA has encouraged and actively supported the regionalisation efforts of professional accounting firms, in particular, small and medium-sized accounting practices (SMPs), to form international networks to expand their markets instead of relying only on the Singapore domestic market. To do this, ISCA has helped open doors to the ASEAN markets by organising overseas study mission trips annually for like-minded SMPs which are keen to expand overseas. These are useful platforms for Singapore SMPs to foster collaboration, knowledge share and network with potential ASEAN partner firms. To further help our members gain market insights and explore possibilities, we will soon include benchmarking study visits to advanced economies. This will provide them the opportunity to further push the frontiers, to learn best practices and bring back new ideas and technology for SMPs in Singapore to implement. Also in the pipeline are plans to launch leadership and strategy workshops to help SMPs develop new business models and diversify into higher value-added services.

ISCA has also made other efforts to help make inroads in overseas markets for Singapore SMPs. For instance, in October 2016,



Source: Committee on the Future Economy, Working Group on Legal and Accounting Services

IN TUNE

ISCA NEWS

ISCA signed a Memorandum of Understanding (MOU) with the Lao Chamber of Professional Accountants and Auditors to co-develop the accountancy profession in Laos through capability-building programmes. Under the MOU, Laos and Singapore can also look forward to more new business opportunities as SMPs from both sides interact further and build professional networks.

The Institute will explore more of such collaborations in the near term. Given the attractive market potential of ASEAN, there would be growing interest among Singapore businesses to venture into the region. Such collaborations will help open doors for Singapore SMPs and businesses that wish to gain a foothold in the regional markets. This will also help to create more economic opportunities for SMPs of both countries and also promote the exchange of expertise, experiences and best practices.

Together with our members, we will explore further how we can help our accounting firms capture these international opportunities created in the high-growth practice areas.

In line with the CFE's call to acquire and utilise deep skills, the Institute has been making concerted efforts to expand the career pathways for members to make them more versatile in today's dynamic market. In August 2016, ISCA, the Institute of Internal Auditors (IIA) and IIA Singapore established an accelerated pathway for Chartered Accountants of Singapore to attain the coveted Certified Internal Auditor (CIA) designation. Members who have successfully completed the CIA challenge examination gained the globally-accepted CIA certification for internal auditors as well as membership to IIA.

The Institute is currently



collaborating with relevant subject matter experts to develop a forensic accounting specialisation certification, scheduled for launch later this year. There will also be more courses on subjects like internal audit, information technology (IT) and IT risks, among others, to help members venture into high-growth practice areas. These include modules on Managing Risk in a Digital World, Transfer Pricing Primer, and Accounting for Leases under FRS 116. Where applicable and feasible, the Institute will also provide e-learning modules to enable members to have easier and more convenient access to these courses.

Recommendation 2 Transform the accounting sector through enhancing productivity, collaboration and innovation

The accounting sector is being reshaped by various forces - technological developments, and increasing competition from non-

traditional service providers. The Working Group has highlighted the need for accounting firms to transform themselves and move up the value chain. To do so, they have recommended that the accounting sector works towards spurring productivity, by encouraging collaborative innovation.

ISCA had facilitated the formation of the OneSMP consortium in 2013, a grouping of SMPs, to encourage collaboration and knowledge-sharing among the SMP community. To help SMPs build capability and capacity at an affordable cost, ISCA has also worked with various government agencies to secure funding for the adoption of productivity and the building of competencies-related initiatives.

ISCA has undertaken a programme to help SMPs in their implementation of Singapore Standard on Quality Control 1 by tapping into SPRING's Capability Development Grant, which



supports up to 70% of the qualifying cost of implementation.

Recommendation 3 Build thought leadership through driving standards and research

The Working Group has envisaged Singapore as a thought leader in standards and research in legal and accounting services. This would be important for ensuring that these frameworks and standards remain relevant to the industry, and thus support the growth of those sectors.

The Institute has been helping to promote Singapore as being at the forefront of best practices in the accountancy space. For three consecutive years (2014 to 2016), ISCA President Gerard Ee has been invited to share on Singapore's monitoring, compliance and enforcement framework on accounting and audit requirements at distinguished international gatherings such as the United

Nations Conference on Trade and Development International Standards of Accounting and Reporting in Geneva, Switzerland, and on ISCA's journey as Singapore's national accountancy body at the World Bank Public Accountancy Organizations Regional Forum in April 2016 in Vienna, Austria.

As one of the world's top financial centres, Singapore can take the lead in refining the practice of sustainability reporting to serve the needs of the region. Following the announcement by the Singapore Exchange for listed companies to publish sustainability reports on a "comply or explain" basis, ISCA has embarked on an ongoing outreach effort to raise awareness and enhance the quality of sustainability reporting among our members. This included a forum for Chief Financial Officers (CFOs) and corporate delegates. The ISCA Corporate Reporting Committee is currently developing an implementation roadmap to guide companies on sustainability reporting.

Recommendation 4 Equip accounting professionals to be future-ready through deepening skill sets and industry expertise

At the heart of these plans for the continued growth and competitiveness of the accounting sector lie its professionals. The Working Group reaffirmed that accounting professionals, while building on their core strengths, should also strive to become holistic business advisors. They should aim to be future-ready by developing multidisciplinary skill sets.

To provide both employers and trainees' greater assurance that time spent away from work to attend training is fruitful, ISCA launched two new certification programmes in SME

accounting and business analytics in 2016. This year, we will be working on a certificate in risk management. The ISCA certification will provide our members with greater professional recognition as they advance in their careers. In light of the rapid changes and developments in the economy, ISCA has also undertaken a bold refresh of our continuing professional education and training programmes, to get our members future-prepared for the implications and opportunities ahead.

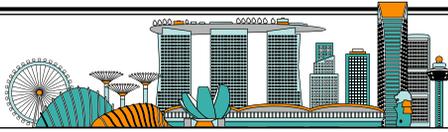
In collaboration with the Singapore CFO Institute, we introduced a structured mentoring programme for aspiring CFOs in 2016. The programme offers aspiring CFOs the opportunity to be mentored by experienced practitioners within the accounting and finance profession. Mentees will receive unique guidance and perspectives on the requisites needed for the next stage of their careers.

CONCLUSION

The CFE report also indicated that the accounting sector is one of the seven high-growth areas identified, for which skills frameworks are in the pipeline. These skills frameworks are an integral part of the Industry Transformation Maps, which will guide enterprises and Singaporeans on key growth areas and skills required for emerging jobs.

As we all look forward to further exciting developments in the accounting sector, ISCA will continue to build a competent, future-ready and inclusive profession, and intensify our role as a leading professional accountancy organisation in ASEAN so as to enable us to achieve greater presence on the global platform.

Lee Fook Chiew is Chief Executive Officer, ISCA.



BUDGET 2017

Moving Forward Together



BY
PERRINE OH, LOKE HOE YEONG AND FELIX WONG



against a backdrop of rapid technological change and global uncertainty, Finance Minister Heng Swee Keat delivered the Singapore Budget Statement on 20 February 2017. The Budget was a clarion call for Singapore to take

decisive action to reposition for the future, through developing strong capabilities in our firms and workers, as well as forging deep partnerships in our economy. The important message was that Singapore has to adapt to the changing environment to thrive and prosper as the world undergoes deep shifts and disruptions that will create new challenges, but also open up new opportunities.

The Institute conducted a Post-Budget focus group discussion on February 22, with participants from key trade associations and chambers (TACs), including those representing the small and medium-sized enterprises (SME) community. This article provides the key insights gathered from the focus group discussion.





The greater emphasis on the long, rather than short, term was seen as a continuation from the thrust of the Committee on the Future Economy (CFE) report. The extension of the Wage Credit scheme was much appreciated, especially in labour-intensive sectors like the retail industry.

A FORWARD-LOOKING BUDGET, BUT LACK OF MEASURES TACKLING CURRENT HIGH BUSINESS COSTS

The focus group participants were generally positive about the forward-looking Budget 2017. The greater emphasis on the long, rather than short, term was seen as a continuation from the thrust of the Committee on the Future Economy (CFE) report. The extension of the Wage Credit scheme was much appreciated, especially in labour-intensive sectors like the retail industry.

However, there was disappointment that measures to tackle long-standing issues regarding high business costs were lacking, even though they are much needed by firms, especially those struggling to survive in the near term.

There was widespread consensus among our focus group participants that high rental costs for businesses had to be addressed as a matter of priority. They proposed that Real Estate Investment Trusts (REITs) conduct open tenders of their property management contracts to ensure competitive and effective maintenance; open tenders will result in lower management fees and rental charges.

Further, the proliferation of onerous regulation which has contributed to rising business costs should be relooked at. The focus group participants highlighted the case of the Orchard Road Business Association (ORBA) having to deal with a multiplicity of government agencies – sometimes with overlapping roles – to organise the Pedestrian Night in the recent past as an example of over-regulation.

Orchard Road, Singapore.



... there was disappointment that measures to tackle long-standing issues regarding high business costs were lacking, even though they are much needed by firms, especially those struggling to survive in the near term.

PRACTICAL APPLICATIONS OF BUDGET 2017'S NEW "LEARNING AND ADAPTIVE APPROACH"

The focus group participants were particularly heartened by the government's "learning and adaptive approach" as expressed in the Budget Speech 2017. They found this to be very relevant and appropriate, given the numerous uncertainties around the world currently.

They also advocated for citizens and businesses to adopt the "learning and adaptive approach". This approach will keep the Singapore economy and Singaporeans flexible and nimble, which is a much-needed attribute in today's uncertain times.

The participants highlighted that the criteria and processes of the government's initiatives and support schemes for businesses should likewise be kept flexible, with an eye on outcomes, instead of processes and procedures. This will enable more deserving firms to benefit from the government's schemes and assistance. The Minister's approach as enunciated in Budget 2017 should cascade down to staff of frontline civil service and government agencies.

LEARNING AND ADAPTIVE APPROACH



Keeping Singapore's economy and Singaporeans flexible and nimble



INNOVATION IS A KEY PILLAR OF SINGAPORE'S FUTURE ECONOMY

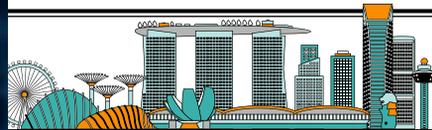
Innovation is one of the key pillars of Singapore's future economy. The Global Innovation Alliance (GIA), which was announced in Budget 2017, would give Singaporeans the opportunity to gain experience overseas, where they can build networks and collaborate with their counterparts in other cities.

Our focus group participants agreed that more Singaporeans needed to move out of their comfort zones, to live and work abroad – and that they need to be started on this at a young age, for example, when they are students. The duration of the overseas internships for tertiary students – under the Innovators Academy, which forms part of the GIA – should be of a sufficient duration (at least six months) to be meaningful.

The introduction of regulatory

sandboxes was a welcome feature by the focus group participants. Regulatory sandboxes essentially provide a controlled risk environment where, if there is a high possibility of failure, the failure would take place rapidly and on a small scale. Such sandboxes will be useful for many industries besides the Land Transport Authority (LTA), Monetary Authority of Singapore (MAS) and Health Sciences Authority (HSA) examples which were cited in the Budget Speech. Every industry has the potential to innovate. Just as the "learning and adaptive approach" expressed in the Budget Speech, the government should provide every industry the opportunity to experiment and innovate in regulatory sandboxes, without fear of regulatory repercussions.

To help SMEs in fostering innovation, the Headstart Programme – through which SMEs that co-develop



option, businesses will not need to provide detailed breakdowns of the expenditures incurred under such CSA, which will be administratively less burdensome.

Besides easing compliance burden for R&D claims, Budget 2017 also addressed another key component of innovation – IP. To encourage IP commercialisation, a new IP Development Incentive (IDI) will be introduced to incentivise IP income starting from 1 July 2017.

While the administrative details of the IDI are still unclear at this stage, it is encouraging to note that the IDI will be designed to comply with the internationally-accepted approach (as recommended by the Base Erosion and Profit Shifting (BEPS) report which is endorsed by the OECD and G20 countries). Special attention should be paid to ensure that the IDI will be administratively easy for businesses to apply and implement.

“With the IP Development Incentive (IDI) aimed at encouraging the exploitation of IP arising from R&D, companies will have more impetus to base and enhance their research facilities here. Singapore will then remain at the forefront of the innovation curve, increasing its contributions towards an innovative and sustainable economy.”



PROFESSOR SUM YEE LOONG
ISCA HONORARY TECHNICAL ADVISOR
AND SIATP BOARD MEMBER

intellectual property (IP) with A*STAR enjoy royalty-free and exclusive licenses – will be extended to 36 months from the initial 18 months. This can enable SMEs to enjoy the monetary benefits for a longer time. It is attractive from a cash flow perspective as well as investment perspective, as the SME can have more time to transform technology from research and development (R&D) into commercially-viable products and services.

From a tax perspective, in line with the nation's focus on innovation, a safe harbour rule will be introduced to ease the compliance burden of businesses participating in R&D Cost-Sharing Agreements (CSA). From 21 February 2017, businesses will be allowed the option to claim a tax deduction of 75% of the payments made under a CSA for qualifying R&D projects. With this

GLOBAL INNOVATION ALLIANCE



Opportunities for Singaporeans to gain experience and build networks overseas

REGULATORY SANDBOXES

A controlled risk environment to encourage innovation

HEADSTART PROGRAMME

Royalty-free and exclusive licenses extended to 36 months, up from 18 months



IMPACT OF FAST-CHANGING DIGITAL WORLD

While SMEs had previously bemoaned the discontinuation of the popular Productivity and Innovation Credit (PIC) scheme, they were heartened by the introduction of the SMEs Go Digital Programme in Budget 2017, which would help SMEs build up their digital capabilities. There would be SME Centres and a new SME Technology Hub set up by the Infocomm Media Development Authority (IMDA), where SMEs can approach business advisors for advice on off-the-shelf technology solutions that have been pre-approved for funding support or to connect with infocommunications and technology (ICT) vendors and consultants.

Making reference to the BEPS project which is affecting tax systems worldwide, Minister Heng mentioned that “with increasing digital transactions and cross-border trade, some countries have taken steps to adjust their GST system, to ensure a level playing field between their local businesses which are GST-registered, and foreign-based ones which are not. We are studying how we can do likewise”.

The above is the strongest indication yet that Singapore is looking into adjusting its GST system to deal with the growing digital economy. In particular, the government may review two types of online transactions where Singapore currently does not levy GST – supply of services by overseas suppliers to Singapore businesses or consumers, and sale of low-value goods (under the threshold of \$400) by overseas suppliers to Singapore consumers.

Should Singapore decide to adjust its GST system to tax the digital economy, care must be taken to ensure that the implementation and administration of the new rules are kept simple so that GST-compliance costs remain low. The change should also bring about a level playing field between Singapore suppliers and overseas online suppliers.



SMEs GO DIGITAL PROGRAMME



Helping SMEs build digital capabilities

FEEDBACK ON SPECIFIC BUDGET INITIATIVES

Our focus group participants noted that the government has repeatedly asked the TACs to play a more active role for their industries. They were of the opinion that what is now needed is greater collaboration between TACs, to promote exchange of ideas and best practices, and to avoid duplication of work. For example, on the issue of structuring and developing training programmes – for which the TACs were asked in Budget 2017 to play a more active role – greater coordination and cooperation between the various TACs would prevent a duplication of similar courses being conducted. This helps each TAC to better manage resources which in turn, can be channelled towards more meaningful programmes that are



From a tax perspective, in line with the nation's focus on innovation, a safe harbour rule will be introduced to ease the compliance burden of businesses participating in R&D Cost-Sharing Agreements.

more aligned with the TACs' missions.

The International Partnership Fund, to which the government will commit \$600 million in capital to co-invest with Singapore-based firms to help them scale up and internationalise, was welcomed by our focus group participants. However, there was some reservation that Temasek Holdings, through its Heliconia Capital Management Pte Ltd, is a key player in the fund. In particular, issues relating to potential conflicts of interest (example, cannibalisation of good business ideas) will have to be addressed. Further, they emphasised that the Fund should be targeted at promising firms in their critical early stages, when funds are most needed, rather than near the initial public offering (IPO) stage, when the firms are already bankable. Therefore, care should be taken in the

Fund's implementation to ensure the scheme does not become a "pick the winner" exercise.

The "Attach and Train" initiative, where industry partners can send participants for training and work attachments for sectors that have good growth prospects – but where companies may not be ready to hire yet – was regarded positively. Nevertheless, our participants from the business community were sceptical about the commercial practicality of businesses investing resources in people who may not be in their firm for the long term. On the other hand, some businesses already have similar initiatives, so "Attach and Train" could serve to underpin these good practices. They would appreciate further details on the initiative.

The government's new targeted approach to each industry through

INTERNATIONAL PARTNERSHIP FUND



\$600 mil
in capital

Government co-invests with firms to help them scale up and internationalise

ATTACH AND TRAIN INITIATIVE

Participants are sent for training and work attachments for sectors with good growth prospects

INDUSTRY TRANSFORMATION MAPS

Targeted and industry-focused approach to deepen partnerships between key stakeholders

Industry Transformation Maps (ITMs) is a good one, but such an "intellectualised approach" – as one of our participants put it – could be detached from ground realities at times. Therefore, businesses and the TACs should be actively engaged and involved when developing the ITMs.

“Just as the Budget takes a ‘learning and adaptive approach’ and emphasises on partnerships, ISCA will similarly engage with our members and the industry to address future challenges and harness opportunities together.”



GERARD EE
ISCA PRESIDENT

GOING GREEN WITH TAXES

In our effort to be responsible for ensuring a cleaner environment, Singapore introduced a carbon tax to reduce greenhouse gas emissions with effect from 2019, restructured diesel taxes to a volume-based duty to encourage reduction in diesel consumption and adjusted two incentive schemes to encourage the use of cleaner vehicles.

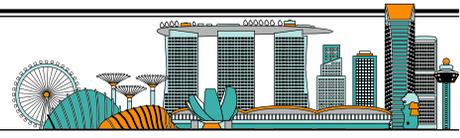
On the proposed carbon tax, Minister Heng explained, “The tax will generally be applied upstream, for example, on power stations and other large direct emitters, rather than electricity users.” In the absence of implementation details, however, there are fears that the cost of this additional tax will be passed on to consumers.

The volume-based duty on diesel came as a surprise when it was announced that like diesel cars, taxis will also be affected by this change. It remains to be seen how the disincentive to drive will affect the availability of taxis on the road.

CARBON TAX



PHOTO SHUTTERSTOCK



PERSONAL INCOME TAX REBATE



20%
of tax payable
for YA 2017
(\$500 cap)

ENHANCED CORPORATE INCOME TAX REBATE



For YA 2017: Rebate cap raised from \$20,000 to
\$25,000

Extended to YA 2018: \$10,000 cap



This is a pragmatic Budget that takes a measured approach to balance the competing needs in addressing short-term cyclical pressure, financial prudence and keeping sight of the long-term imperative to invest in innovation and capabilities.

PROVIDING RELIEF FOR BUSINESSES AND INDIVIDUALS

Amid the economic headwinds, the government has enhanced the Corporate Income Tax (CIT) rebate for the Year of Assessment (YA) 2017 from \$20,000 to \$25,000 (while keeping the rebate rate unchanged at 50%). The rebate is also further extended to YA 2018, with a rebate rate of 20% and capped at \$10,000. While any CIT rebate is welcome news for all businesses, the quantum of the rebates suggests that they are especially meaningful for small and micro enterprises.

Aside from businesses, Minister Heng also announced a Personal Income Tax (PIT) rebate of 20% of tax payable for YA 2017. With a cap at \$500, the PIT rebate is targeted mainly at the lower-middle and middle-income groups. While it is lower than the \$1,000 rebate for YA 2015, the PIT rebate is still a welcome surprise to many individual taxpayers, especially in a year of much uncertainty.

MOVING FORWARD: IMPLICATIONS FOR THE ACCOUNTANCY PROFESSION

This is a pragmatic Budget that takes a measured approach to balance the competing needs in addressing short-term cyclical pressure, financial prudence and keeping sight of the long-term imperative to invest in innovation and capabilities.

Underlining the government's thinking in Budget 2017 is the CFE report, which highlights the importance for Singapore to build a vibrant eco system of hub services for the Asian region. Professional services like accounting are key to such an eco system.

As the national accountancy body, ISCA will continuously keep our members abreast and equipped on what being future-ready means for the profession, in order that they can fully tap on the opportunities of Singapore's future economy as envisaged by the CFE. *ISCA*

Perrine Oh and Loke Hoe Yeong are Managers, Insights & Intelligence, ISCA, and Felix Wong is Head of Tax, SIATP.



GENEVIEVE CHUA

FCA (Singapore)
Managing Director,
Spicers Asia

SEAH GEK CHOO

FCA (Singapore)
Assurance & Advisory
Services and Talent Partner,
Deloitte Singapore

BELINDA TEO

CA (Singapore)
Assurance Manager,
Ernst & Young

PURSUITS OF HAPPINESS

**Five Women in Accounting Share the Activities
that Matter Most to Them**

By
DENNIS YIN AND JIMMY YAP



GERMAINE LOW

CA (Singapore)
Manager,
KPMG Singapore

PAMELYN TEO

CA (Singapore)
Senior Accountant,
Abbott

W

omen today have a firm presence in the workforce. Figures from the Ministry of Manpower (as of June 2016) showed that labour force participation rates among female residents have been on an uptrend in the last decade, having risen from 54.3% in 2006 to 60.4% last year.

But while they are part of a work team or oversee one, many women simultaneously take on caregiving roles at home. To accommodate family commitments, some women have had to modify their work schedules; opt for part-time work; choose less demanding jobs, shift jobs or turn down opportunities for career advancement – all of which leave

even less time for personal pursuits.

In conjunction with International Women's Day, which falls on March 8, ISCA puts the spotlight on five dynamic female members – two are career mums who make time to keep fit; one finds fulfilment in volunteerism; another rekindled her love for basketball when she joined her company's sports team, while the last is an accomplished pianist whose musical skill is much in demand. These women recount how their choices allow them to follow their passion and feel fulfilled in their personal life. Not only does their "me" time help them to recharge and reset, the positive effects also trickle down to their families and co-workers.

THE BEAT GOES ON...

Genevieve Chua, FCA (Singapore), Managing Director, Spicers Asia

She may have hung up her dancing shoes, but for Ms Genevieve Chua, the beat goes on. Ms Chua, the Asian head of global paper merchant Spicers, now works out at a gym instead of moving to the salsa, Latin and jazz beats she so loves.

"I hung up my dancing shoes in 2012 even though performing and teaching dancing was a passion that I've had for many years.

"My commitments are very heavy and I travel at least once a month for work. I can't have disruptions if I continue to perform and teach. Therefore, I decided to switch my focus to exercising, something I can do anytime and anywhere, even when I'm overseas," says Ms Chua, 53.

Apart from her day job, Ms Chua holds various honorary positions, including as board member of the Geneva-based Programme for the Endorsement of Forest Certification; executive committee member of Print & Media Association, Singapore; honorary treasurer of Financial Planning Association of Singapore, and honorary treasurer of RSVP Singapore - The Organisation of Senior Volunteers, a non-profit organisation that promotes senior volunteerism.

Which begs the question: How does Ms Chua find time for exercise?

FITNESS FIRST

"A healthy body is a healthy mind. Being healthy and having a positive frame of mind gives me all the energy to keep going. If I don't exercise, I feel more lethargic. Hence, I use my 'me' time to exercise," she says. Such is her conviction that, no matter how busy she gets, rather than continue working, Ms Chua finds the time to exercise, then burns the midnight oil if she has to.

Depending on her schedule, she works out either in the morning or at night. "I don't have to spend a lot of time at the gym. Sometimes, half an hour of intense cardio-resistance exercise is good enough for me," she says.

Ms Chua eschews going on extreme diets though she is conscious of her food choices and eats healthily. She is quick to point out that she doesn't count her calories, and indulges in the occasional "cheat day". "In my line of work, I do entertain business associates and customers, so I can't be picking at my food and/or just eating 'rabbit food'. That'll make the person sitting opposite me really uncomfortable." She makes up for the occasional indulgence by watching what she eats for the rest of the week or stepping up on the workouts.

GROUP DYNAMICS

A believer in group workouts, Ms Chua opts for classes that offer high intensity interval training and muscle-conditioning classes such as Body Pump. But she also stresses that she doesn't need group motivation to exercise. "I (work out) for myself; you owe it to yourself to look good. I wish I could tell this to more women."

Being fit and healthy also has a

positive influence on her staff. "As the head of your organisation, you have got to exude energy and stay positive, and it helps when you're healthy.

"At Spicers Asia, workplace safety and health are very important. We encourage our staff to take part in fitness activities, and we've held *qigong* and Pilates classes for them in the office."

RUNS IN THE FAMILY

Ms Chua has two sons, aged 21 and 24, who join her at the gym whenever they can. "This is something that I'm really pleased about. I don't have to nag them to take care of themselves. They naturally *want* to do so. Like me, they see the benefits of staying healthy and have made it a part of their lifestyle," she says.

For busy people who don't work out, Ms Chua's advice is to start by taking little steps, such as taking the stairs whenever you can. "And if you don't have time to go to the gym, there are so many types of 10-, 15-, 20- and 30-minute exercises on YouTube that you can follow and do at home.

"As the saying goes, 'A journey of a thousand miles begins with a single step'. Fitness is a journey. You may not get it right immediately and it can be quite daunting at first. But if you take little steps and make it a priority, things will get easier and you'll see how being fit, healthy and energetic as a result can have such a profound impact on your life," she says.

Career Milestones

1986-1990	Audit Supervisor, KPMG
1990	Chief Accountant, Spicers Singapore
1995	Group Financial Controller, Spicers Singapore
2006	Managing Director, Spicers Singapore
2012-2014	Council Member, ISCA
2013-Present	Managing Director, Spicers Asia

★
“As the head of your organisation, you have got to exude energy and stay positive, and it helps when you’re healthy. That also translates to how you manage your company.”



KEEP ON RUNNING

Seah Gek Choo, FCA (Singapore), Assurance & Advisory Services and Talent Partner, Deloitte Singapore

As a working mother with two young children, Seah Gek Choo, 43, understands the struggles of maintaining a fulfilling family life and rewarding career, while making time for oneself. And she does all these effectively by prioritising her various commitments.

“People always lament that they have ‘so much, *so much* work’ and ask how I manage to find time to do other things. I say to them that no matter how much work they have, they need to know when to stop (work) and tell themselves, ‘I can continue later on’.

“When you stop work for the day, you can still get it done tomorrow. But when you lose precious time with your child, you will never be able to get it back or recapture that moment. Spend time with your loved ones and recharge yourself. Then you will be able to get back to work refreshed,” advises the Deloitte Singapore Assurance & Advisory Services and Talent Partner, who has been with the firm for 22 years.

GOING SOLO

As the key executive who oversees human resource (HR), as well as talent management and engagement, in a company of over 2,400 employees, work can be demanding.

Career Milestones

1995	Joined Deloitte Singapore
2006	Became Assurance & Advisory Services Partner
2010	Became Talent Partner
2015-2016	Member of ISCA Corporate Governance Committee





IN GOOD COMPANY

There is a fitness activity for every staff at Deloitte. The firm has over 20 sports clubs from dragon-boating to floorball, badminton and basketball. The staff are active participants of the ISCA Games. Deloitte's running group, to which Ms Seah belongs, meets once a week for runs. "We encourage not only those who are good at the different sports to attend the training sessions, but also those who are keen to pick up a new sport," she says.

Ms Seah makes sure she has time for her kids, aged six and nine years old. "I try to leave office by 7pm (latest 8pm). When I get home, I keep my evenings free till around 10pm so I can be with the little ones until they sleep. Then, if need be, I will continue to work from home."

To recharge herself, Ms Seah goes for runs. She chooses this physical activity because it is a "versatile sport". "With running, I don't have to adhere to any fixed schedule or head to a specific location. I can do it anytime, anywhere," says the avid runner who takes to the road at least three times a week.

Running also helps her to de-stress. "I feel more energetic after a run; I work better and more efficiently."

Ms Seah does not restrict herself to a strict regimen where she has to clock a certain distance, and favours running alone than in a pack, even for corporate races such as the ISCA Run, where she came in runner-up in the 10-kilometre women's category last year. "Running is difficult to pace. It's easier to do it alone, so you won't drag anyone down. But that's just my preference."

Her regular runs take place on Saturdays when her children are having their swimming lessons at Sentosa. "Their classes are back-to-back – one at 9.45am and the other at 10.30am. So I slip in a six- to eight-kilometre run during that window."

On Sundays, she will complete about eight to nine kilometres along the Ulu Pandan canal. And on weekdays, she will try to squeeze in a run at least once a week around her estate before picking up her children at her in-laws'.

To make sure that she can run

"anytime, anywhere", Ms Seah always has a pair of running shoes in her car and a set of running attire at her in-laws'.

REAPING THE REWARDS

Ms Seah's passion for running started over three years ago. "At that time, I was quite unhealthy and was putting on a bit of weight," she discloses. She was doing Pilates then, but felt that it focused more on core strengthening and did not help in reducing weight, so she joined Deloitte's women's futsal team.

After the first training, Ms Seah realised how unfit she was. "My whole body was aching!" She decided to commit herself to working out, and started with 2.4 kilometres on the treadmill and slowly increased the distance.

Ms Seah initially enjoyed running stationary but got bored after a while. That was when she tried running around her estate and found it challenging. "The roads are uneven, and I got to go upslope and downslope. Later, I ran along Sentosa Cove and the scenic view offered me extra motivation. Now I prefer working up a sweat outdoors."

To complement her running, Ms Seah makes the effort to cut down on carbs in her diet. "It's fruits for breakfast and dinner (except on weekends when I'm dining with my parents or in-laws), and salads for lunch."

FAMILY AFFAIR

Her children are also what spur Ms Seah to continue running. "I want to stay healthy to see them grow up." Sometimes, she will try to involve them in her fitness routine. "After my solo runs on Sunday, I may get them to join me for another round. They can't say 'no', because I'm their mum," she says, laughing heartily.

On a more thoughtful note, Ms Seah says she does not want her children to "just study and watch videos online", and encourages them to take part in different sporting activities. "They need to go out and exercise. Plus, doing sports together is a good way for working mums to spend quality time with their kids."

★
"Doing sports together is a good way for working mums to spend quality time with their kids."

ALL THAT JAZZ

Belinda Teo, CA (Singapore), Assurance Manager, Ernst & Young LLP

She may be an auditor but Belinda Teo is in demand whenever friends want to tie the knot. That's because the 29-year-old is also an accomplished pianist, as at home with the classics as she is with jazz and pop tunes.

Ms Teo has been playing the piano since she was five and has a diploma in solo performance from Trinity College London. As an undergraduate at the Singapore Management University (SMU), she played in a jazz band, expanding her musical repertoire as a result. She doesn't play in a jazz band any more but still plays in her church worship band on Sundays.

She plays at about three weddings a year and has been doing so since she was 18. Despite her years of experience, she still finds playing the "Wedding March" during the processional stressful though. "When you play at weddings and you make a mistake, you might mess up someone else's big day," she explains.

Ms Teo also "performed" at her own nuptials last January. Her husband Benjamin Chan, a guitar-playing banker, and herself recorded themselves playing Michael Buble's "Everything", and they played the audio and video during the wedding processional, as well as at the wedding dinner. They also presented a surprise item to each other (Mr Chan played the guitar and sang Robbie Williams' "She's the One", while Ms Teo played the piano and

sang Ellie Goulding's "How Long Will I Love You") at the wedding dinner.

Prior to the wedding, Ms Teo persuaded her university jazz band to reunite, which was a bit of a risk because they hadn't played together for a few years and had no time to rehearse. "They only practised for an hour but in the end, they were so good that many friends wanted to hire them for their weddings," she says.

IN THE FAMILY

Music runs in Ms Teo's family. "My grandfather played the piano in church even though he had no formal music education," she recalls. When introduced to the piano, Ms Teo proved to be quite a natural. However, she almost gave up on the instrument early on - her music teacher was a strict woman who would put erasers on the young girl's fingers and rap these lightly if the erasers fell off when she played. It was a way to ensure that the fingers were correctly positioned. To Ms Teo then, it was clearly not a fun way to learn music. After enduring this for three years, she asked to quit until her mother found a new teacher, Mrs Rodrigo, who became a big influence in Ms Teo's life.

Apart from schooling her through the various piano grades, Mrs Rodrigo helped Ms Teo through her O-level music exams. She was also a mentor who provided advice when Ms Teo began teaching the piano part-time.

Career Milestones

2010	Joined Assurance, Ernst & Young LLP
2016	Won the Young Accountant in Practice Award at the Singapore Accountancy Awards
2016	Deputy Chairperson of ISCA Young Professionals Advisory Committee (YPAC)

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"During my down times – my breakups, when my father passed away – the piano was one of the first avenues I turned to (to cope)."

And Mrs Rodrigo wasn't merely instrumental in nurturing her music education; the music teacher, who also taught singer Corrine May, persuaded Ms Teo to carry on with her auditing career during a low point.

"There was a time when I was so sick of audit that I wanted to be a full-time piano teacher. Mrs Rodrigo talked me out of it," says Ms Teo. "She told me to teach as a hobby but continue to build my corporate career."

So Ms Teo continued with her career and in 2016, won the Young Accountant in Practice Award at the Singapore Accountancy Awards. Organised by ISCA, it is given to young accountants for their contribution to the industry by demonstrating strong leadership and professional qualities, and who possess sound technical knowledge and experience.

The award has changed life for Ms Teo, who is also the Deputy Chairperson of the Young Professionals Advisory Committee (YPAC) of ISCA. "I became a lot more prominent in the office; I'm learning to embrace it," she says. She is determined to build on the success as well. "I don't want it to be a one-off achievement."

STILL LEARNING

Ms Teo has been with Ernst & Young (EY) since she graduated from SMU in 2010, except for a four-month stint at the Monetary Authority of Singapore (MAS) in the investment intermediaries department. Being



at MAS brought home to Ms Teo how much she had enjoyed being an auditor. "At the MAS, I was doing a lot of licensing and registration – reviewing application forms, asking lots of questions and processing paperwork."

It was when she had to inspect one of those investment intermediaries that Ms Teo realised how much she missed her former work. She reached out to her mentor at EY and was soon back at the firm.

She now manages a few teams at EY and enjoys working on Initial Public Offerings because she finds these exciting. "I meet a lot

of professionals like bankers and lawyers; I learn a lot, and I get to see how various enterprises work." She currently does not foresee herself "moving out of audit" in the near term because as Ms Teo explains, "there's still so much to learn".

She also enjoys her work in ISCA, especially being with YPAC as it has allowed her to expand her network. "You realise how even though we are all accountants, we are all in different professions and our jobs are different."

Work, her involvement in ISCA and being a relative newlywed mean

that music has now taken a back seat in Ms Teo's life. However, it is still significant to her – she rehearses two hours on Saturdays ahead of church service on Sunday, and of course, she also has to practise new pieces she's asked to play at weddings.

Music is also important to her as therapy. "During my down times – my breakups, when my father passed away – the piano was one of the first avenues I turned to (to cope)."

She does not see herself ever giving up music. "It's not possible to give it up; it's always going to be important in my life."

A BALL OF A TIME

Germaine Low, CA (Singapore), Manager, KPMG Singapore

A hard worker in the office and on the basketball court, KPMG Manager Germaine Low shares how she manages her time at work and her passion.

It all began 18 years ago when Ms Low's family moved to a housing estate with a basketball court. "At around 5.30pm on most days, you would hear the sound made by balls bouncing as children made their way to the court. It was like an audio cue to get their friends to join them.

"By 8pm, you would hear parents calling for their children because it was past their dinner time," Ms Low recalls.

As a child, she spent most of her free time playing basketball at the court with her older brother, younger sister and neighbours. "It's a great workout for team play and develops a competitive spirit," she says. Basketball then evolved to become a passion and lifestyle for Ms Low, becoming her co-curricular activity of choice during her school days.

FIRM GRIP

Ms Low rekindled her passion for competitive basketball when she joined KPMG six years ago. "I was really lucky to be able to continue my interest as the firm has a women's basketball team".

The 28-year-old manager has since represented the KPMG team at the ISCA Games for five seasons, and was co-captain in 2016. (The captaincy is on a rotational basis to give members the chance to lead the team.)

The KPMG women's basketball team won silver last year, losing, Ms Low says, "to our friends who are ex-KPMG staff". Prior to that, it was champion for five consecutive years. "The firm has been very supportive in encouraging sports within the

firm, and it has a positive effect I believe, because when we play as a team, we play to win and that's good work ethos," says Ms Low.

As most of the team members are auditors, it can be quite difficult to get the players together during the peak audit period. But once work eases around June or July, the team members train at least once on a weekday, and on Saturday, in preparation for the annual ISCA Games. "This is the main non-work event that all of us in the team look forward to each year. Our supervisors understand and support our commitment, and let us off earlier (during the week) to attend the training sessions," she says.

The players are "dedicated and passionate" about the game, and have no qualms about putting aside Saturday mornings for practice. "Training is our way of taking a break from work, where we break a sweat instead. Many of us have been around for a while now, and we enjoy the light-hearted atmosphere during the training sessions, where we often poke fun at each other."

BALL BONDING

Besides enjoying her favourite sport, interacting with co-workers in the team (who are from other functions of the firm) also reinforces the importance of teamwork.

"We work as a team on the court, just like we do in the office. We are only

as strong as our weakest member and even then, everyone has something valuable that they bring to the table. We play off each other's strengths and help to overcome and improve on each other's weaknesses," she says.

Outside of training, the teammates try to meet up once a week for lunch. "A lot of us have been playing together for at least three years. Considering that many of us are from the audit function, that's quite a feat. Over time, we have also become friends." Not only that, over the years, the players have also formed friendships with members of opposing teams.

IT ALL BEGINS AT HOME

If she were to rate herself as a basketball player, Ms Low – who is a point guard – would describe herself as "someone who respects my opponent, but also someone who hates losing more than she likes to win".

She attributes her competitive spirit and active lifestyle to her upbringing. "Since young, my siblings, cousins and I (nine of us in total) will get together regularly to run or play basketball. Sometimes, we also go to the gym together. And during festive family gatherings, someone will always start the conversation by asking something like, 'I ran five

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"Me' time is important as it helps me to unwind and clear the mind after a hectic week at work."

Career Milestones

2011	Joined Audit (Financial Services), KPMG Singapore
2016	Captain of the KPMG Basketball Team



kilometres today; what distance did you cover?” she relates, laughingly.

“It’s a competitive thing we have there... But really, it’s just to remind each other to make time for exercise.”

WORK OUT JUST AS HARD

In her job, pulling long hours, especially during auditing months, is the norm. But Ms Low makes sure she finds time for herself. “Me’ time is important as it helps me to unwind and clear the mind after a hectic week at work.” She advises peers who want to stay active to do a sport that they can commit to and which they enjoy.

“For example, if you are not a ‘morning’ person, don’t set yourself a target where you have to start exercising at, say, 7am. Instead, try something feasible that suits your timing, such as a 20-minute walk in the evening. Also, find someone to do it with, and do something you find enjoyable,” she says.

“When you have company, you will be more motivated to carry on with your activity and when you’re having fun, exercising is no longer a chore. I’m fortunate to have my family members work out with me.”

A FRIEND LIKE YOU

Pamelyn Chua, CA (Singapore), Senior Accountant, Abbott

When Pamelyn Chua entered the workforce in 2014 as a young accountant, she already knew she did not want her life to revolve around just work and home.

The then-23-year-old Ms Chua had been living with her grandparents since she was young, so she felt naturally drawn towards the elderly, and wanted to do something meaningful for them.

The opportunity arose when a friend invited her to join a church volunteer group to distribute food items to the aged living in one-room rental flats in Boon Keng Road. During that visit, the volunteers also had to get to know each beneficiary better, in order to identify those who might require further help. Ms Chua was assigned to befriend two seniors – a man in his 80s living with his unmarried god-daughter who is in her 40s, and a woman in her 80s living alone.

FOSTERING FRIENDSHIP

Since then, on a weekend once every two to three weeks, Ms Chua makes a trip back to the estate to see her elderly friends. She is accompanied on these visits by the church friend who had asked her along on the food distribution drive.

“It helps to have a companion as we keep each other accountable... (such as the fact) that it might have been a while since we last visited (the seniors),” says Ms Chua.

Career Milestones

Sep 2013-Sep 2015	Assurance Assistant, Ernst & Young LLP
Oct 2015-Dec 2016	Assurance Senior, Ernst & Young LLP
Dec 2016 to present	Senior Accountant, Abbott





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“Making time for the elderly has helped me to look beyond myself and remind me that there is a bigger world outside, beyond my immediate problems and frustrations.”

On these visits, the friends spend time chatting with the seniors who readily share their life experiences with them. Sometimes, they would have a meal together at the nearby coffeeshop.

“The key to communicating effectively is to listen actively,” says Ms Chua. “Always take mental notes of what they (seniors) share about their lives. For example, if they tell you they are having joint pains, ask them how their condition is, as well as remind them to take their medication, on your next visit. They will appreciate your thoughtfulness.”

Seeing how grateful and happy the elderly are when she calls on them makes the visits rewarding for Ms Chua. “Visiting them is like setting aside time to meet up with friends,” she says.

Such is the bond of friendship that the elderly woman invited them to her 80th birthday dinner two years ago. “We were her youngest friends at the gathering!” recalls Ms Chua with fondness.

FINDING FULFILMENT

Ms Chua joined Abbott in December 2016 as Senior Accountant. Besides reviewing journal entries and reconciliations, her job requires her to support the Australia and New Zealand offices and that means starting work at 7am and leaving only after 7pm on some days. Personal time is, therefore, more valuable than ever. But she tells ISCA that she will keep visiting her elderly friends “for as long as I can”.

That said, she does not intend to join a larger volunteer group because she wants to still keep such visits “meaningful and personal”. Having elderly friends has made Ms Chua a more patient person. “Sometimes we have trouble understanding each other, as they speak mostly in dialect

or Mandarin. But my buddy and I continue to converse with them in the best way that we can,” she says.

These visits have also instilled in her a sense of gratitude for what she has in life. “Making time for the elderly has helped me to look beyond myself and remind me that there is a bigger world outside, beyond my immediate problems and frustrations.

“In giving, I have also received. I have picked up valuable lessons from their life stories, such as how forgiving someone who had hurt you badly in the past can lead to inner peace, and how leading a simple life can also be fulfilling,” she adds.

From their conversations, Ms Chua also learnt more about the different assistance schemes provided by welfare organisations like the Lions Befrienders, and the importance of having a community or support group.

FIRM FOUNDATION

Ms Chua attributes her positive outlook on life to values instilled in her as a child. She was told the story about the jar of rocks and sand, and that made an impact on her and on how she views life. The story is about a professor who filled a jar with rocks and then asked his students if the jar was full. They agreed that it was full. He then poured sand into the jar of rocks. The sand filled the remaining spaces. The professor then pointed out that if he had reversed the order and poured sand into the jar first, there would not have been any room for the rocks.

“The same can be applied to our lives. The rocks are the truly important things, such as family, health and relationships. If all else were lost and only the rocks remained, our lives would still be meaningful. This story made me prioritise what are important to me – the rocks in my life – God, my family and friends. No matter how busy I am, I would find time for them,” she says. ISCA

Dennis Yin and Jimmy Yap are contributing writers.

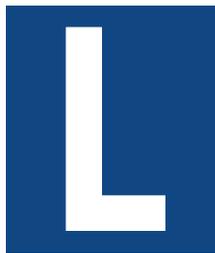


STEWARDSHIP AND THE ACCOUNTING PROFESSION

Contributing to Sustainable Businesses



BY
DAVID LEOW AND
ONG BOON HWEE



ast November marked the launch of the Singapore Stewardship Principles for Responsible Investors (SSP), spearheaded by an industry-led Steering Committee of which

ISCA is a member.

The SSP comes into play at a time when discussions about the nature of corporate leadership, social responsibility and sustainability have begun to intersect and deepen. The launch of the SSP is timely and will help build a common understanding on stewardship responsibilities as well as engage stakeholders.

Stewardship is about building and growing sustainable businesses to produce long-term benefits for all stakeholders, and in the process contributing to the community and economy as a whole. It goes beyond short-term considerations and includes

the sustainability of a company's long-term performance.

Accounting, audit and stewardship have always been deeply intertwined. The accounting and auditing of the ownership of assets and their use can be traced as far back as maths and language. Accounting records have been found carved on bones in ancient China, etched on clay tablets in Mesopotamia and scribed on papyrus in Cleopatra's Egypt.

The term "steward" appears to have been first used in the 17th century, but the practice of managing the assets of another person pre-dates that. Examples of stewardship can be found throughout ancient times, from the Code of Hammurabi some 4,000 years ago to professions such as the dispensator of



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Stewardship is about building and growing sustainable businesses to produce long-term benefits for all stakeholders, and in the process contributing to the community and economy as a whole. It goes beyond short-term considerations and includes the sustainability of a company's long-term performance.



PHOTO SHUTTERSTOCK

wealthy households during the Roman Empire and the nomadic shepherds that tended flocks throughout Asia Minor.

Our modern understanding of stewardship draws from these lineages and is the wellspring from which the SSP draws upon in forming its views on the roles and responsibilities of asset managers in relation to asset owners. The SSP represents the carefully-considered views of a broad base of industry stakeholders and are supported by the Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX). There are seven Singapore Stewardship Principles (Table 1).

ISCA AND THE STEWARDSHIP PRINCIPLES

As Singapore's national accountancy body, it is natural and important for ISCA to play a role in the SSP Steering Committee. Accounting is, after all, the *lingua franca* of business and

accountants and auditors are charged with the responsibility of providing the trustworthy financial information that is used to make critical resource-allocation decisions.

The role of accountants and auditors in enhancing the communication between companies, their investors and management is critical. Directors and management rely upon financial information to make strategic decisions, create sustainable business value and invest for the future.

The words "accounting" and "accountable" have the same root in the English language. The work of accountants and auditors create an objective basis for measuring the stewardship performance of corporate management, and rewarding or holding them to account.

The link between stewardship and accounting has been further elaborated in research – one model by



Societies develop by continually building, improving and innovating. The SSP aims to support this development through encouraging investors to be responsible and active stewards that contribute positively to the welfare of the economy, community and society at large.

Table 1 The Seven Singapore Stewardship Principles

- 1) Take a stand on stewardship.** Responsible investors establish and articulate their policies on their stewardship responsibilities.
- 2) Know your investment.** Responsible investors communicate regularly and effectively with their investee companies.
- 3) Stay active and informed.** Responsible investors actively monitor their investee companies.
- 4) Uphold transparency in managing conflicts of interest.** Responsible investors make known their approach to managing conflicts of interest.
- 5) Vote responsibly.** Responsible investors establish clear policies on voting and exercise their voting rights in a responsible fashion.
- 6) Set a good example.** Responsible investors document and provide relevant updates on their stewardship activities.
- 7) Work together.** Responsible investors are willing to engage responsibly with one another where appropriate.

The full text of Singapore's Stewardship Principles for Responsible Investors can be found at www.stewardshipasia.com.sg/principles/singapore_stewardship_principles.pdf

steward-leadership researcher Dr Kent Wilson maps out the development of stewardship in four stages (Table 2).

Members of the accounting profession have a key role in promoting the highest levels of stewardship at each of these four stages.

SINGAPORE AND THE STEWARDSHIP PRINCIPLES

Singapore has an opportunity and is indeed well-positioned to promote sound stewardship principles. Though small, our nation is one of the world's centres for fund management, with US\$1.8 trillion of assets under management.¹ In context, that's easily enough to buy a smartphone for every man, woman and child on the planet.

With this concentration of assets under management, the opportunities to explain, highlight and demonstrate sound and responsible practices; to contribute to the promotion of stewardship, and to innovate in positive ways are great indeed. It can even be said that these are not just opportunities but necessities to maintain Singapore's leadership, reputation and relevance as a financial centre.

¹As per Monetary Authority of Singapore survey 2015



An example of the way that the SSP is pioneering good practice can be found by looking no further than the composition of the Steering Committee itself. The SSP Steering Committee comprises the leading institutions for accountants, Singapore directors, investment professionals, venture capital and private equity firms and

retail investors, and has the support of the MAS and SGX. Its broad-based and stakeholder-focused composition is among the most inclusive in terms of representation of any such committees, or Councils for Stewardship Codes/Principles, in the world.

The support of these august institutions and the industry-led nature

has allowed the SSP to gain traction, with almost 50 institutions declaring support for the Principles at its launch.

UPHOLDING THE STEWARDSHIP PRINCIPLES

Societies develop by continually building, improving and innovating. The SSP aims to support this development through encouraging investors to be responsible and active stewards that contribute positively to the welfare of the economy, community and society at large. This is a lofty objective but one that is certainly achievable with the commitment and collaborative support of stakeholders.

As leaders and influencers, professionals and individuals, let us support good stewardship and uphold the SSP through our professional and personal conduct and practices. Like tilling the soil, stewardship is not something that will produce earth-shattering results overnight, but over time, the results could be great indeed. *ISCA*

David Leow is Member, ISCA, and Ong Boon Hwee is Chief Executive Officer, Stewardship Asia Centre.

Table 2 Development of Stewardship

STAGE	DESCRIPTION	EXAMPLE
1 Stewardship as Accounting	The earliest form of stewardship which focuses on oversight, accounting and audit control of resources.	"The master's orchard has 300 apple trees."
2 Stewardship as Sustainability	The steward is responsible for sustaining the value of a resource. He is given a degree of management autonomy and has a duty of knowledge, care and efficient operations imposed upon him.	"I need to water and fertilise the apple trees, and pick the fruit in the fall."
3 Stewardship as Growth	The steward has the responsibility of increasing the value of what is entrusted to him. The steward has significant management autonomy and will make decisions based on projected favourable risk/reward ratios.	"An apple-picking machine would harvest apples faster, increasing yields and reducing spoilage."
4 Stewardship as Optimisation	The steward is tasked with the responsibility of maximising asset returns. To facilitate this, he is expected to be highly skilled and will operate with great autonomy and independence from the asset owner.	"Apple prices have been falling. We should look at converting the lowest-yielding apple plots to some other use."

HELPING CHARITIES DO GOOD BETTER

Cash Flow Management in Charities



BY
ISABEL SIM, ALFRED LOH AND TEO CHEE KHIANG

The first five articles of this “Accounting for Good” series presented various aspects of regulatory frameworks and organisational governance for Charities. This article will examine the importance of good cash flow management for the sustainability of Charities’ operations. Specifically, we will discuss about Charities’ cash flow, sources of income, their inherent income unpredictability, and approaches to overcome these challenges through forecasting and building of reserves.

IMPORTANCE OF CASH FLOW MANAGEMENT IN CHARITIES

Charities rely on the public, corporate donors, government and other organisations for funding to carry out their charitable activities. The bulk of their funding, such as

¹ Malki, E. (2016) A Simple Model for Cash Flow Management in Nonprofits; https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2732052_code42782.pdf?abstractid=2732052&mirid=1&type=2

² Blackbaud. (2011) Financial Management of Not-For-Profit Organizations; www.blackbaud.com/files/resources/downloads/WhitePaper_FinancialManagementForNPO.pdf

³ Sim, I., Ghoh, C., Loh, A., & Chiu, M. (2015) The Social Service Sector in Singapore: An Exploratory Study on the Financial Characteristics of Institutions of a Public Character (IPCs) in the Social Service Sector; www.fas.nus.edu.sg/swk/csda/y1reportfinal.pdf





Charities have to run their programmes or services, even if the cost of running them cannot be defrayed. Therefore, to ensure the sustainability of the Charities' operations, there is a need for Charities to have effective cash flow management.

grants, donations, and income from fundraising, are not provided on a regular basis.

Due to the ad hoc nature of Charities' funding, their cash flows can be challenging to predict as they typically fluctuate throughout the year. A shortage of cash, even if temporary, is a major risk factor for Charities.¹ Therefore, Charities must pay close attention to whether they have enough cash reserves to be able to continually provide services to their beneficiaries,² while relying on incomes that are inherently unpredictable.

CHARITIES' INCOME SOURCES

Sim, Ghoh, Loh and Chiu (2015) studied the sources of income of 202 Institutions of a Public Character (IPCs) in Singapore's Health, Social and Welfare sectors from FY 2011 to FY 2013. They found that large IPCs with total operating expenditure of S\$10 million and above received the bulk of their income from government grants (around 45%), and other major sources included donations and fundraising income (around 23%), and programme income (around 21%). Whereas for IPCs with total operating expenditure of S\$250,000 and below, the bulk of their income (up to 65%) came from donations and fundraising, with government grants and programme income contributing up to 20% and 12% respectively.³ Besides income from donations and fundraising, government grants and programme fees, Charities may need to rely on income from other sources, such as investment, social enterprise and sponsorship, to cover their operating and other expenditures.

UNPREDICTABILITY OF CHARITIES' MAJOR INCOME SOURCES

With a good understanding of the cash flow characteristics of the three major income sources – donations, grants, and programme fees – accountants can help Charities develop strategies to address their cash flow challenges.

Most donors contribute to Charities on an ad hoc basis.⁴ They may make pledges of support that may not be received until a later date. Some donors may reduce contributions due to changes in their business or personal circumstances. Some may attach conditions and timing restrictions on the use of the funds donated to the Charities. They may designate their contributions for specific purposes or programmes, which means that the cash might not be available to cover the recurring operating expenses, as well as other unanticipated expenditures. Charities need to understand and accept the ad hoc nature of cash flow from donors as it will affect the Charities' cash flow planning and management.

According to Dropkin (2003), grants from both government and private sources may be disbursed for general use or specific activities. Charities have to meet the requirements outlined in grant agreements, which may also affect their cash flow planning and management. However, grants may stop due to business or economic circumstances, such as policy changes. Therefore, a thorough understanding of all grant conditions is important for Charities.⁵

Programme fees are another important source of Charities' income. Charities normally charge a small fee for providing goods and services to their beneficiaries. Often, these fees do not cover the full cost of operating their programmes or services. Instead, the cost of running the programme is subsidised by the Charities' other sources of income, such as grants, donations and fundraising income, which are inherently unpredictable in nature. Charities have to run their programmes or services, even if the cost of running them cannot be defrayed. Therefore, to ensure the sustainability of the Charities' operations, there is a need for Charities to have effective cash flow management.

EFFECTIVE CASH FLOW MANAGEMENT THROUGH FORECASTING

Good cash flow projections provide early warning system to Charities.⁶ Cash flow forecasting is a projection of the Charity's future financial situation; it allows Charities to see when money is expected to be received and spent.⁷ An accurate, detailed cash flow forecast, especially when used in conjunction with a detailed operating budget, will allow Charities to anticipate potential cash flow difficulties and quickly take effective remedial step.⁸

It is easier to address cash flow issues if they are anticipated early. An effective way for Charities to manage cash flow is to develop a cash flow projection for 12 months. Charities should also review and update these projections regularly. In Box Story 1, Leung Yee Ping, Executive Director, Young Women's Christian Association



(YWCA) of Singapore, shares her organisation's best practices in cash flow management. Besides the development of cash flow projections, these include good governance to facilitate the visibility, as well as exercising tight control over both income and expenses.

BUILDING RESERVES IN CHARITIES

As a hedge against income uncertainty,

⁴ Goy, P. (2016) "Most firms give to charity but many on ad hoc basis", *The Straits Times*; www.straitstimes.com/singapore/most-firms-give-to-charity-but-many-on-ad-hoc-basis

⁵ Dropkin, M. (2003) *Improving Cash Flow Management In Challenging Times: A Primer*; <https://nonprofitquarterly.org/2003/06/21/improving-cash-flow-management-in-challenging-times-a-primer/>

⁶ Dropkin, M. (2003) *Improving Cash Flow Management In Challenging Times: A Primer*; <https://nonprofitquarterly.org/2003/06/21/improving-cash-flow-management-in-challenging-times-a-primer/>

⁷ Hoermann, P. (2014) *Cash-flow Forecasting in Non-profit Organisations*; <http://180dc.org/cash-flow-forecasting-in-non-profit-organisations-necessity-components-insights-patrick-hoermann/>

⁸ Dropkin, M. (2003) *Improving Cash Flow Management In Challenging Times: A Primer*; <https://nonprofitquarterly.org/2003/06/21/improving-cash-flow-management-in-challenging-times-a-primer/>

⁹ YWCA Annual Report 2016; www.ywca.org.sg/wp-content/uploads/2016/04/YWCA-AR2016-low-res.pdf

¹⁰ Nonprofit Operating Reserve Policy Toolkit Workgroup (2010) *Operating Reserve Policy Toolkit for Nonprofit Organizations*; www.nccs2.org/wiki/images/d/df/Operating_Reserves_Policy_Toolkit_1st_ED_2011-07-28.pdf

¹¹ Bamed, J. (2009) *Financial Management of Not-for-Profit Organisations*; www.cpaaustralia.com.au/~media/corporate/allfiles/document/professional-resources/notforprofit/financial-management-nfp-organisations.pdf?la=en

¹² Marudas, N. P. (2004) "Effects of Nonprofit Organization Wealth and Efficiency on Private Donations to Large

Nonprofit Organizations", *Research in governmental and nonprofit accounting*, 11, 71-92

¹³ Handy, F., & Webb, N. J. (2003) "A Theoretical Model of the Effects of Public Funding on Saving Decisions by Charitable Nonprofit Service Providers", *Annals of Public and Cooperative Economics*, 74(2): 261-282

¹⁴ Calabrese, T. (2011) *Running on Empty: The Operating Reserves of US Nonprofit Organizations*; www.baruch.cuny.edu/mspia/centers-and-institutes/center-for-nonprofit-strategy-and-management/documents/Calabrese_RunningonEmpty-TheOperatingReservesofUSNonprofitOrganizations.pdf

¹⁵ Nonprofit Operating Reserve Policy Toolkit Workgroup (2010) *Operating Reserve Policy Toolkit for Nonprofit Organizations*; www.nccs2.org/wiki/images/d/df/Operating_Reserves_Policy_Toolkit_1st_ED_2011-07-28.pdf



Box Story 1 **Best practices in cash flow management from Leung Yee Ping, Executive Director, YWCA of Singapore**

Founded in 1875, the Young Women's Christian Association (YWCA) of Singapore is a large Charity with total operating expenditure of S\$16.6 million in 2015.⁹ YWCA is committed to providing programmes and services for women and children.

Some of these include YWCA House, Workz-on-Wheels, and Empowering Mums.

1) **How does YWCA manage its cash flow?**

Based on the budget, we conduct monthly cash flow projections to ensure that income is sufficient to cover all expenditures. For any new programme, an annual cash projection is done to determine its source of funds, initial outlays, and capital and operating expenditures.

2) **Does YWCA have any best practices to share with other Charities in the sector?**

To facilitate strong cash flow management, Charities need to have:

- Budgeting with a clear financial strategy;
- Good internal controls and financial stewardship of resources, to ensure that funds are used for their intended purposes;
- A robust financial management system with timely financial reporting according to the Singapore Financial Reporting Standards. This provides accountability and transparency to all stakeholders on how resources are used and what have been achieved;
- Both the board and management should understand the financial reports so that they are aware of the expenditures incurred and state of their funds, and
- Integrity in everyone working/volunteering with the Association and strict adherence to the Conflict of Interest Policy.

Charities should build up their operating reserves to maintain their financial flexibility and management of cash flow. Without an operating reserve, Charities may have difficulty responding to temporary changes in their environment or circumstances, such as delayed payments or cutbacks in funding from government agencies or donors.¹⁰ Charities facing cash flow distress may not have the resources to continue delivery of their programmes.

There is, however, a thin line between having the right amount of cash in reserve to prevent cash flow deficits and stockpiling too much capital.¹¹ Many Charities argue that some donors may not want to contribute to Charities with too much accumulated wealth, as these donors may prefer to have their donations expended currently, rather than saved for subsequent fiscal years.¹² Some Charities have lower amounts

of cash reserves as they anticipate that the government will provide additional financial help during difficult economic times.¹³ For these reasons, some prefer to hold lower reserves to continue to attract current and future donations.¹⁴ Unfortunately, such strategies may compromise the long-term financial sustainability of Charities. Accountants can therefore help Charities and funders to understand the importance of building sufficient reserves for their sustainability.

CONCLUSION

For Charities to remain sustainable, good cash flow management is important. It builds public and donors' confidence, as the funds donated to the Charity will have a lasting impact.¹⁵ In an operating environment with income unpredictability, Charities have to manage their finances well to continue providing for their

beneficiaries. By building reserves, Charities will have sufficient funds to meet unexpected expenditures.

Charities are required to account for their reserves. They need to manage their reserves for the best returns, taking into account appropriate risks and donors' wishes. Accountants can help Charities with the forecasting and management of cash flow, as well as in the building of their reserves.

We will discuss Charities' reserves management in the next article. **ISCA**

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HELPING CHARITIES DO GOOD BETTER

Reserves & Investment Management in Charities



BY
ISABEL SIM, ALFRED LOH AND TEO CHEE KHIANG

Charities play an important role in helping the poor, vulnerable and disadvantaged. In the earlier “Accounting for Good” articles, we discussed various topics on accounting for Charities. In the previous article published in this journal issue (focusing on cash flow management in Charities), we examined why Charities should build their reserves as a safeguard against income unpredictability. As recommended by the Code of Governance for Charities and Institutions of a Public Character (the Code), Charities are encouraged to maintain some level of reserves to ensure their long-term financial sustainability.¹

In this final article in the “Accounting for Good” series, the

¹ Charity Council (2011) Code of Governance for Charities and IPCs; www.charities.gov.sg/Documents/Code_of_Governance_for_Charities_and_IPCs_%28English%29.pdf

² Charity portal (2014) Accounting Glossary for Charities and IPCs; www.charities.gov.sg/Documents/Accounting_Glossary.pdf

³ Charity Council (2011) Code of Governance for Charities and IPCs; www.charities.gov.sg/Documents/Code_of_Governance_for_Charities_and_IPCs_%28English%29.pdf

⁴ Nonprofits Assistance Fund (2014) Nonprofit Operating Reserves and Policy Examples; https://nonprofitsassistancefund.org/sites/naf-prod/files/publications/nonprofit_operating_reserves_and_policy_examples_2014.pdf





focus of our discussion will be on the management of reserves. In Singapore, “reserves” refer to the part of the Charities’ income funds that is freely available for its operating purposes and is not subject to commitments, planned expenditure and spending limits.² The areas of discussion, in this article, will include (1) disclosure of reserves policy, (2) factors to consider in setting the appropriate level of reserves, as well as (3) investment management of reserves.

DISCLOSURE OF RESERVES POLICY

As recommended by the Code, Charities are encouraged to disclose their reserves policy in their annual reports.³ The reserves policy will help Charities to define and set goals for reserve funds, clearly describe the authorisation for the use of reserves, and outline requirements for reporting and monitoring. Without a reserves policy, Charities may run a risk of having funds gradually depleting over time and not being available when they need the funds.⁴

HOW MUCH RESERVES SHOULD CHARITIES MAINTAIN?

There is no consensus among Charities as to the appropriate level of reserves to maintain. Based on a 2015 social service sector study on 202 IPCs in the Health and Social Welfare sectors,



Accountants could help Charities conduct a thorough review on whether it has maintained a sufficient level of reserves to ensure its sustainability, as well as in developing a reserves policy to govern the use of reserves.

the IPCs were found to normally maintain surpluses in their reserves that amount to about two years of the Charities' annual operating budget.⁵

The National Council of Social Service (NCSS) Reserves Policy Guide recommends that Charities should carry out thorough analyses of income and expenditures, risk profiles as well as past and future financial trends to develop their own reserves policy.⁶ Some examples of risk factors, as indicated by the Nonprofit Operating Reserve Policy Toolkit Workgroup, include (1) the stability of donated revenue from primary sources; (2) the level of dependence on one or two major income sources, and (3) the extent to which economic downturns or other events may affect demand for services⁷, among others. Accountants could help Charities conduct a thorough review on whether it has maintained a sufficient level of reserves to ensure its sustainability, as well as in developing a reserves policy to govern the use of reserves.

Charities may consider the following guidelines when developing an appropriate reserves policy (Table 1).

Besides developing a justifiable reserves policy for sustainability, Charities can potentially make their



reserves work harder through the investment of their reserves.

INVESTMENT OF RESERVES

Many Charities, however, adopt a conservative attitude when it comes to reserves. Rather than viewing them as an asset that needs to be actively managed, reserves are often seen as a resource that should be protected and preserved.⁸

In the United Kingdom, there are detailed legislations to ensure

that trustees of Charities have overall responsibilities for investment of a Charity's funds. These include the need to draw on expertise, pick an appropriate investment class, and consider diversification to reduce their risk exposure.¹⁰

In Singapore, guidelines for investment management in Charities are provided by both the Office of the Commissioner of Charities (COC) and the Charity Council via the Guidance for Charities Engaging in Business Activities and the Code respectively. It is recommended that Charities:

- 1) Must not be distracted from its core charitable purposes¹¹;

Table 1 Guidelines on Developing a Reserves Policy⁹

1	Purpose of building and maintaining reserves;
2	Definitions of the types of reserves, intended use, and calculation of target amounts;
3	Assignment of authority for making use of each type of reserve fund, which may include delegation of some authority to staff leaders;
4	Responsibilities for reporting reserve fund amounts, and
5	Any specific policies, if needed, about investment of reserve funds.

⁵ Sim, I., Ghoh, C., Loh, A., & Chiu, M. (2015) The Social Service Sector in Singapore: An Exploratory Study on the Financial Characteristics of Institutions of a Public Character (IPCs) in the Social Service Sector; www.fas.nus.edu.sg/swk/csda/y1reportfinal.pdf

⁶ National Council of Social Service (2008) Reserves Policy Guide for Charities; www.charities.gov.sg/Documents/Reserves_Policy_Guide.doc

⁷ Nonprofit Operating Reserve Policy Toolkit Workgroup (2010) Operating Reserve Policy Toolkit for Nonprofit Organizations; www.nccs2.org/wiki/images/d/d/df/Operating_Reserves_Policy_Toolkit_1st_ED_2011-07-28.pdf

⁸ ACEVO (2012) Beyond Reserves; www.sayervincent.co.uk/wp-content/uploads/2015/07/BeyondReserves.pdf

⁹ Nonprofits Assistance Fund (2014) Nonprofit Operating Reserves and Policy Examples; https://nonprofitsassistancefund.org/sites/naf-prod/files/publications/nonprofit_operating_reserves_and_policy_examples_2014.pdf

¹⁰ Charity Commission for England and Wales (2016) Charities and investment matters: a guide for trustees; www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14/charities-and-investment-matters-a-guide-for-trustees

¹¹ Commissioner of Charities (2016) Guidance for Charities Engaging in Business Activities; www.charities.gov.sg/



- 2) Have to take into full account the potential risks and returns, and must not expose its charitable assets to significant risk¹²;
- 3) Have their investment policy approved by their Board¹³;
- 4) Have their Board ensure transparency in its investments¹⁴, and
- 5) Obtain advice from qualified professional advisors if deemed necessary by their Board.¹⁵

While there is a growing call for Charities to actively manage their reserves, unfortunately, many do not have the expertise to do so, and are inclined to put their reserves in fixed

[manage-your-charity/Consideration%20as%20your%20charity%20expand/Pages/Guidance%20on%20Charities%20Engaging%20in%20Business%20Activities.aspx](http://www.charities.gov.sg/Consideration%20as%20your%20charity%20expand/Pages/Guidance%20on%20Charities%20Engaging%20in%20Business%20Activities.aspx)

¹² Commissioner of Charities (2016) Guidance for Charities Engaging in Business Activities; www.charities.gov.sg/manage-your-charity/Consideration%20as%20your%20charity%20expand/Pages/Guidance%20on%20Charities%20Engaging%20in%20Business%20Activities.aspx

¹³ Charity Council (2011) Code of Governance for Charities and IPCs; www.charities.gov.sg/Documents/Code_of_Governance_for_Charities_and_IPCs_%28English%29.pdf

¹⁴ Commissioner of Charities (2016) Guidance for Charities Engaging in Business Activities; www.charities.gov.sg/manage-your-charity/Consideration%20as%20your%20charity%20expand/Pages/Guidance%20on%20Charities%20Engaging%20in%20Business%20Activities.aspx

¹⁵ Charity Council (2011) Code of Governance for Charities and IPCs; www.charities.gov.sg/Documents/Code_of_Governance_for_Charities_and_IPCs_%28English%29.pdf

¹⁶ HWA 2015-2016 Annual Report (pg. 35): <http://hwa.org.sg/wp-content/uploads/2012/10/HWA-Annual-Report-2016-FINAL-as-at-11-JULY-2016.pdf>

¹⁷ ACEVO (2012) Beyond Reserves; www.sayervincent.co.uk/wp-content/uploads/2015/07/BeyondReserves.pdf

Box Story 1 Investment management policy and challenges in investment management, as shared by Edmund Wan, President of HWA



Handicaps Welfare Association (HWA) was founded in 1969 to promote self-help and offer a platform for mutual support among the disabled in Singapore. With a total operating expenditure of S\$6 million in 2016¹⁶, HWA is a large Charity run by people with disabilities, for people with disabilities.

What is your investment management policy?

Our reserves are not much to warrant the need for an investment management team. Additionally, donors and stakeholders are not so forgiving if there is a possibility of our investment being a failure. Hence, we have a low risk appetite and invest in time or fixed deposits, even though the returns are not much when compared to the rising cost of living.

What are the challenges which Charities face regarding investment management?

Charities should ensure that they have the required expertise in managing investment, which, unfortunately, some may not have.

Charities which do not have much reserves should also not “gamble” on investments as setbacks can bring about their downfall. In this regard, small Charities have advocated for fund managers, financial institutions or even the NCSS to provide “Capital Protection Investments”. This ensures that the sum invested is high, and receive higher returns than from fixed deposits.

Finally, investments should also be in appropriate amounts as premature withdrawals from long-term investments due to cash flow issues may work negatively on them.

deposits, given their low risk appetite. In Box Story 1, Edmund Wan, President of the Handicaps Welfare Association (HWA), echoes this sentiment and offers more insights into the investment challenges faced by Charities.

To address these challenges, accountants, together with investment professionals, can help advise Charities on an investment policy to determine the amount to invest at a risk level acceptable to stakeholders.

CONCLUSION

This article concludes the “Accounting for Good” series. Here, we have explored how accountants can help Charities understand how reserves can be better utilised. To do so, Charities must balance the need to manage risks against the need to serve beneficiaries effectively. To achieve this balance, Charities need to have a good understanding of the financial strategy

and investment model together with the risks inherent in the model. Whatever decision Charities make about reserves, they should ensure that it was arrived at after careful deliberation, made as part of the Charities’ strategic planning, and with the recognition that reserves are a resource to be managed and utilised to meet the needs of beneficiaries.¹⁷ Given the expertise and skills accountants have, they can play a significant role in helping to develop a strong and sustainable Charity sector. Accountants can certainly do good by helping Charities to do good better. ISCA

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TECHNICAL HIGHLIGHTS

FINANCIAL REPORTING

ISCA ISSUES GUIDANCE ON QC EXTENSION CHARGES AND ABSD

Coupled with the weakened market sentiments, residential property developers may face hefty extension charges imposed under the Qualifying Certificate (QC) rules and potential claw-back of the remission granted for the Additional Buyer's Stamp Duty (ABSD).

ISCA's Financial Reporting Committee (FRC) has developed this guidance to share the discussions and deliberations in the accounting for the QC extension charges and ABSD in order to promote consistency in accounting practices in Singapore.

For more information, please visit www.isca.org.sg/media/780095/final-guidance-qc-extension-charges-and-absd-revised.pdf

ISCA LAUNCHES TECHNICAL BITE-SIZE GUIDANCE

In December 2016, ISCA, with the support of its FRC, issued eight technical "bites" focusing largely on the new revenue and financial instruments standards. They provide guidance on emerging issues and new standards in a more understandable and easy-to-read manner.

For more information, please visit www.isca.org.sg/tkc/fr/techbites/

MAS ANNOUNCES NEW ACCOUNTING FRAMEWORK FOR BTS IN 2018, AND RETENTION OF RAP 7

All registered Business Trusts (BTs) will adopt IFRS-identical financial reporting standards in 2018 while authorised collective investment schemes will continue to report using ISCA's Recommended Accounting Practice (RAP) 7: Reporting Framework for Unit Trusts.

For more information, please visit www.isca.org.sg/tkc/fr/current-issues/ifrs-convergence/www.mas.gov.sg/News-and-Publications/Media-Releases/2017/Financial-Reporting-for-Business-Trusts-and-Collective-Investment-Schemes.aspx

MAS AMENDS PROSPECTUS DISCLOSURE REQUIREMENTS; PROVIDES TRANSITIONAL RELIEF

Issuers that currently use Singapore FRS and lodge a prospectus from 1 January 2018 will have a choice of either (i) restating up to three years of historical audited financial

statements included in the prospectus fully to the new IFRS-identical financial reporting framework or (ii) use the transitional relief.

For more information, please visit www.isca.org.sg/tkc/fr/current-issues/ifrs-convergence/www.mas.gov.sg/News-and-Publications/Media-Releases/2017/Financial-Reporting-for-Business-Trusts-and-Collective-Investment-Schemes.aspx

ISCA ISSUES IFS FOR PRIVATE ENTITIES 2016

This publication includes the Illustrative Financial Statements (IFS) of the annual financial statements of a Singapore-incorporated company, prepared in accordance with the Singapore Financial Reporting Standards and Singapore Companies Act, Chapter 50.

The IFS serve to provide an illustration of annual financial statements of companies whose activities include manufacturing and trading.

For more information, please visit www.isca.org.sg/tkc/aa/qa/illustrative-financial-statements/

ASC ISSUES AMENDMENTS TO FRS 104

ASC has issued amendments to FRS 104: Insurance Contracts on the application of FRS 109: Financial Instruments which are effective for annual periods beginning on or after 1 January 2018.

For more information, please visit www.asc.gov.sg/CEPafter1Jan2016

AUDITING AND ASSURANCE

UPDATED SAMPLE AUDITOR'S REPORTS

Necessary changes have been made to the sample reports in Appendix 2 of AGS 1: Sample Independent Auditor's Reports, to incorporate the changes arising from the revised SSA 800 and SSA 805 on special purpose financial statements. The reports are effective for periods ending on or after 15 December 2016.

For more information, please visit www.isca.org.sg/tkc/aa/current-issues/standards-alert/standards-alert/2017/january/amendments-to-appendix-2-of-ags-1/

ETHICS

ISCA COMMENTS ON MOF/ACRA'S PROPOSALS

ISCA supports the proposal to require companies and LLPs to obtain and maintain beneficial ownership information, and to make the information available to law enforcement authorities upon request. ISCA has also highlighted areas for further enhancement.

For more information, please visit www.isca.org.sg/media/780109/signed-isca-comment-letter-proposed-changes-to-co-act-llp-act-and-aa.pdf

Easing Fixed Asset Data Management across Asia-Pacific

CHALLENGE

An international manufacturer of solutions for product identification and traceability faced a huge challenge in planning and managing capital budgets at its Asia-Pacific headquarters in Singapore. As the office managed fixed asset data with spreadsheets, calculating the depreciation of assets was a highly manual and time-consuming process. This process was consequently prone to human errors, negatively affecting the accuracy of financial reports. The company also needed a convenient way to view the fixed asset data of its branch offices across the region. Seeking a solution, it turned to Stone Forest IT (SFIT) for assistance.

SOLUTION

After assessing the client's needs, SFIT seamlessly integrated a tool called "Norming Asset Management" into Sage ERP 300 for the Singapore facility and some of its Asia-Pacific branch offices. The tool was also flexibly deployed as a stand-alone application in the remaining branch offices. Its capabilities include:

- Easily process all asset accounting transactions such as acquisition, adjustment, disposal, merge and split
- Automatically calculate monthly depreciation
- Accurate list of assets and flexible asset numbering
- Depreciation projection and reversals
- Easily access fixed asset data of all branch offices in the region
- Fully compatible with IFRS and US GAAP

RESULTS

With the new solution, the client has enjoyed several benefits, including:

- Eliminate risk of human errors in depreciation calculations
- Greater productivity due to time saved in fixed asset data management
- Easier capital budget planning and management as a result of convenient access to branch offices' fixed asset data across the region

SFIT's extensive experience in providing solutions to address clients' unique needs helps businesses to reach new levels of efficiency and productivity.

HIGHLIGHTS

Industry:
Manufacturing

Location:
Asia-Pacific

Solution:
"Norming Asset Management" tool

Results:

- Eliminate risk of human errors
- Greater productivity
- Easier capital budget planning and management

FUNDING AND TAX CONCESSIONS FOR SINGAPORE FINTECH STARTUPS

Key Government Financial Schemes



BY
TOMMY YEE

Fintech – financial technologies – is the latest buzzword in the financial services sector. Recognising the importance of fintech startups in driving innovation for a successful fintech eco system,¹ countries have introduced private-sector and government initiatives to propel the growth of fintech startups. Accelerator and incubator programmes have been launched to help fintech startups grow, and governments have made available various funding schemes and tax incentives.

This article highlights the key government funding schemes available for fintech startups in Singapore. It also reviews existing Singapore tax concessions that fintech startups enjoy, and the Singapore tax concessions which impact the availability of non-government funding for fintech startups.

GOVERNMENT FUNDING SCHEMES

One attribute of a successful fintech hub is the availability of funding from the local government, venture capitalists and other private investors.

Some of the key Singapore government funding schemes available for fintech startups are administered by the following agencies:

SPRING Singapore

SPRING Singapore administers the ACE Startups Grant and Technology Enterprise Commercialisation Scheme (TECS). The ACE Startups Grant provides co-matching funding support in a predetermined ratio for entrepreneurs who wish to start a differentiated business. TECS provides funding to successful applicants to fund the development of a technology intellectual property towards its commercialisation.

SPRING Singapore also administers equity investment schemes for startups where SPRING SEEDS CAPITAL (a subsidiary of SPRING Singapore) makes co-investments in eligible startups with private third-party investors under the SPRING Startup Enterprise Development Scheme (SPRING SEEDS) and Business Angels Scheme (BAS).

National Research Foundation

Under the Early Stage Venture Fund (ESVF) initiative, the National Research Foundation invests funds in Singapore-based technology startups on a matching basis with designated venture capital firms.

¹ KPMG (2016) "Fintech In India, A Global Growth Story"; <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/06/FinTech-new.pdf>





PHOTO SHUTTERSTOCK

TECHNICAL EXCELLENCE

FUNDING FOR LOCAL FINTECH STARTUPS

Monetary Authority of Singapore

Under the Financial Sector Technology and Innovation–Proof of Concept Scheme, Monetary Authority of Singapore (MAS) provides funding support of up to 50–70% of the qualifying costs, up to a cap of \$200,000, for projects involving the development of novel solutions to financial industry problems conducted by technology or solution providers working with Singapore-based financial institutions.

SINGAPORE TAX CONCESSIONS FOR FINTECH STARTUPS Startup Tax Exemption

Currently, a startup may enjoy full tax exemption² on the first \$100,000 of its chargeable income in each of the first three years of assessment, subject to meeting conditions.

The startup tax exemption does not serve as a targeted tax concession for fintech startups as it aims at encouraging entrepreneurship regardless of industry. Furthermore, the tax concession does not benefit fintech startups when losses are incurred in the initial years, and profits are reaped only in later years from the commercialisation of their innovative financial solutions.

The introduction of bolder, targeted measures such as tax exemption for a higher quantum of profits (or even all profits) with a longer tax relief period of say, 10 years, and allowing loss-making fintech startups to cash out their tax losses in the initial years to aid their cash flow, is more likely to incentivise the growth of fintech startups.

Research and Development Tax Incentive

Fintech startups carry out research and development (R&D) projects in the area of application software for innovative solutions to new financial products or services.

Currently, qualifying expenses on

qualifying R&D projects conducted in Singapore are granted 400% tax deduction.³ A qualifying R&D project has to meet the three requirements as follows:

- 1) Clear objective for undertaking the project;
- 2) Novelty or technical risk, and
- 3) Systematic, investigative and experimental study in the field of science or technology.

The novelty or technical risk requirement is elaborated below.

a) Novelty

This requirement will not be met if the application software in the R&D project performs similar functions as those already found in the Singapore market.⁴ For example, a Singapore fintech startup conducts a software development project on a virtual assistant to answer customer loan queries with the use of artificial intelligence (AI) technology; the project may not be able to meet the novelty requirement if there are existing virtual assistants in Singapore for answering similar queries using AI technology.

b) Technical risk

Technical risk refers to specific scientific or technological uncertainty that exists in projects which cannot be readily resolved by competent IT professionals. Contemporaneous documentation must be maintained to show that the R&D project involves technical risk before its commencement. Referring to the earlier example, the Singapore fintech startup may be able to substantiate that the technical risk requirement is met if the virtual assistant from the software development project processes more parameters in a shorter time as compared to what is enabled by existing technology, and that it yields faster, more accurate answers.

Presently, for large and complex R&D projects⁵, the Inland Revenue Authority of Singapore (IRAS) has introduced a pre-claim evaluation



scheme which allows taxpayers to submit details of their projects for evaluation if they fulfill the abovementioned requirements, before the commencement or during the conduct of the projects. However, for smaller R&D projects, taxpayers are required to self-assess if their R&D projects fulfill the said requirements and if so, make R&D tax deduction claims (R&D claims) in their tax returns. This self-assessment process poses great uncertainty on R&D claims as IRAS, after its review of tax returns and consultations with

² S43(6A) of the Singapore Income Tax Act

³ Includes 250% enhanced deduction under the Productivity and Innovation Credit (PIC) Scheme

⁴ IRAS (2015) "Research and Development Tax Measures (4th Edition)"; www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguide_IT_RnDTaxMeasures_25%20Feb%202015.pdf

⁵ Projects with estimated R&D costs exceeding \$20 million

⁶ The AITD Scheme is administered by SPRING Singapore

⁷ Section 37K of the Singapore Income Tax Act

⁸ Section 13H of the Singapore Income Tax Act

⁹ At present, tax exemption of gains arising from disposal of equity investments by companies is also provided under Section 13Z of the Singapore Income Tax Act, subject to meeting conditions. However, this exemption applies only to gains arising from disposal of ordinary shares (note that investments in startups by venture capital funds usually take the form of preference shares).

¹⁰ Section 13(1)(za) of the Singapore Income Tax Act

BUSINESS PLAN

WHAT

WHERE

WHO

HOW



★
A review of the existing tax policies is imperative to catalyse the growth of fintech startups and bolster non-government funding for these startups to plug current funding gaps.

taxpayers and technical experts, may opine that the said requirements are not met and reject the R&D claims.

Taking into account the requirement of maintaining detailed documentation for an R&D project and onerous tracking of qualifying R&D expenses for the said claims, this uncertainty deems the R&D tax incentive unattractive for smaller R&D projects conducted by fintech startups.

In view of the above, the extension of the pre-claim evaluation scheme to smaller R&D projects or an upfront approval process for fintech startups' qualifying R&D projects (before the commencement of R&D project) administered by a central agency that is familiar with the technical subject matter, for example, MAS' Fintech office, could be introduced to provide upfront certainty for R&D claims. A review should also be conducted to increase the rates of R&D tax deduction after the expiry of the Productivity and Innovation Credit (PIC) scheme in Year of Assessment 2018 to enhance the attractiveness of the R&D tax incentive.

These suggested measures will also complement the new Intellectual Property (IP) regime announced in the recent 2017 Budget that incentivises IP income with the use of IP arising from R&D activities.

SINGAPORE TAX CONCESSIONS THAT IMPACT FUNDING FROM NON-GOVERNMENT SOURCES

Given the difficulties for fintech startups to obtain funding from conventional channels such as bank loans, especially in the early stages, funding for fintech startups from non-government sources are likely to be from angel investors as well as venture capital firms.

At present, under the Angel Investor Tax Deduction (AITD)⁶ scheme, approved angel investors enjoy a tax deduction⁷ at 50% of the cost of a qualifying investment (capped at \$500,000 of investment) in a startup if the investment is at least \$100,000 and the qualifying investment is held for a continuous period of two years. Any unutilised

tax deduction will be forfeited.

Currently, approved venture capital funds also enjoy tax exemption⁸ on gains or profits derived from Singapore through the disposal⁹ of approved investment and dividends received from a tax resident investee company are tax exempt.¹⁰

The abovementioned tax concessions could be made more favourable to improve the availability of funding from non-government sources.

Allowing the carry-forward of unutilised tax deductions for approved angel investors could be considered to enhance the attractiveness of the AITD Scheme. It may be worthwhile to afford high net-worth individuals who could not qualify as approved angel investors, a tax deduction computed based on a percentage of their investment in approved venture capital funds. Liberalisation of criteria to qualify as an approved venture capital fund, coupled with finetuning of criteria for approved investment, could also be carried out to increase and steer venture capital funds towards early-stage funding of Singapore fintech startups instead of funding for late-stage expanding startups.

CONCLUSION

Startups serve an important role in the Singapore fintech eco system as Singapore positions itself as a leading fintech hub. A review of the existing tax policies is imperative to catalyse the growth of fintech startups and bolster non-government funding for these startups to plug current funding gaps. ISCA

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DON'S COLUMN

FRS 109 PART 2

Accounting for Impairment of Financial Assets



BY
KOH WEI CHERN AND
TONG YEN HEE

Part 1 of this article, published in *IS Chartered Accountant*, February 2017 issue, took the reader through a comprehensive illustrative example on impairment of debt instrument measured at amortised cost. In this Part 2, we provide a comprehensive illustrative example on impairment of debt instrument measured at fair value through other comprehensive income (FVOCI) and discuss the related issues.

THE EXAMPLE

On 1 January 20x1, ABC Ltd (ABC), with 31 December year-ends, pays \$104,330 cash to acquire a five-year bond that has a nominal value of \$100,000, an annual coupon rate of 6% payable on 31 December, and a

maturity date on 31 December 20x5. At initial recognition, the effective interest rate of this bond is 5%. Assume that this investment is classified as “FVOCI” under FRS 109. Table 1 presents the amortisation schedule using the effective interest rate method. Table 2 presents the market value of the bond at various dates.

INITIAL RECOGNITION

On 1/1/20x1, ABC debits investment in bond and credits cash of \$104,330. On initial recognition, the bond is in Stage 1 impairment. Using a 12-month probability of default of 0.5% and an estimated loss given default of \$20,000, the estimated impairment loss is \$100 (= 0.5% x \$20,000). So, ABC debits impairment loss (an expense account) of \$100.

Table 2 Market value of the bond at various dates

Year ending	(1) Market Value
31/12/x1	\$103,000
31/12/x2	\$92,000
31/12/x3	\$60,000
31/12/x4	\$56,000
1/1/x5	\$56,000

Table 1 Amortisation schedule using the effective interest rate method

Year ending	(1) Coupon interest received (6% x nominal value of \$100,000)	(2) Interest income (5% x beginning balance of gross carrying amount)	(3) Changes in gross carrying amount	(4) Gross carrying amount
				\$104,330
31/12/x1	\$6,000	\$5,216	(\$784)	\$103,546
31/12/x2	\$6,000	\$5,177	(\$823)	\$102,723
31/12/x3	\$6,000	\$5,136	(\$864)	\$101,859
31/12/x4	\$6,000	\$5,093	(\$907)	\$100,952
31/12/x5	\$6,000	\$5,048	(\$952)	\$100,000





Under FRS 109 para 5.5.2, for financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income (OCI) and shall not reduce the carrying amount of the financial asset in the statement of financial position. Hence, unlike the accounting for a financial asset measured at amortised cost whereby ABC credits loss allowance (a contra-asset account), ABC credits fair value reserve – accumulated impairment (an OCI account) of \$100.

SUBSEQUENT MEASUREMENT: END OF FIRST YEAR

On 31/12/20x1, ABC recognises interest income based on the gross carrying amount, that is, debits cash of \$6,000, credits interest income of \$5,216, and credits investment in bond of \$784. Given that the debt instrument is measured at FVOCI, there is a need to mark to market at reporting date. The carrying amount of the bond is currently \$103,546. Since the market value is \$103,000, ABC debits fair value reserve – fair value changes (an OCI account) and credits investment in bond by \$546.

We recommend separate OCI accounts to keep track of fair value changes and of the loss allowance for a financial asset measured at FVOCI because entities are required to disclose the loss allowance in the notes to the financial statements (FRS 107 para 16A).

Assume that ABC determines that there has not been any significant increase in credit risk since initial recognition of the bond. The bond is in Stage 1 impairment. Using a revised 12-month probability of default of 1% and an estimated loss given default of \$20,000, the 12-month expected credit loss is \$200 (= 1% x \$20,000). Given a prior provision of \$100, an additional \$100 provision is required, that is, ABC debits impairment loss of \$100 and credits fair value reserve – accumulated impairment of \$100.

TECHNICAL EXCELLENCE

FRS 109: IMPAIRMENT ACCOUNTING

SUBSEQUENT MEASUREMENT: END OF SECOND YEAR

On 31/12/20x2, ABC continues to recognise interest income based on the gross carrying amount, that is, debits cash of \$6,000, credits interest income of \$5,177, and credits investment in bond of \$823. There is also a need to mark to market the investment. The current carrying amount is \$102,177. The current market value is \$92,000. Hence, ABC debits fair value reserve – fair value changes of \$10,177, and credits a similar amount to investment in bond.

Assume now that ABC determines that there has been a significant increase in credit risk since initial recognition of the bond. The bond is in Stage 2 impairment. Using a lifetime probability of default of 20% and a revised estimated loss given default of \$50,000, the lifetime expected credit loss is now \$10,000 (= 20% x \$50,000). Given a prior provision of \$200, an additional \$9,800 provision is required, that is, ABC debits impairment loss and credits fair value reserve – accumulated impairment of \$9,800.

SUBSEQUENT MEASUREMENT: END OF THIRD YEAR

On 31/12/20x3, ABC continues to recognise interest income based on the gross carrying amount, that is, debits cash of \$6,000, credits interest income of \$5,136, and credits investment in bond of \$864. The current carrying amount of \$91,136 is then marked to the market value of \$60,000. Hence, ABC debits fair

value reserve – fair value changes of \$31,136, and credits a similar amount to investment in bond.

Assume it became probable that the bond issuer is entering bankruptcy proceeding. The bond is considered as credit-impaired, and the lifetime probability of default has increased to 80%. The bond is in Stage 3 impairment. Based on a revised estimated loss given default of \$44,000, the lifetime expected credit loss is calculated to be \$35,200 (= 80% x \$44,000). Since there is a prior provision of \$10,000, an additional \$25,200 provision is required, that is, ABC debits impairment loss and credits fair value reserve – accumulated impairment of \$25,200.

SUBSEQUENT MEASUREMENT: END OF FOURTH YEAR

As the bond is in Stage 3 impairment throughout 20x4, the interest income has to be recognised based on amortised cost, which incorporates the loss allowance. Table 3 shows the calculations for interest income, changes to loss allowance and amortised amount.

On 31/12/20x4, ABC will credit interest income of \$3,333 (= 5% x \$66,659). ABC will also debit cash of \$6,000 for the coupon payment received. The question is, into which account(s) to credit \$2,667. In Part 1 of this article, we examine three possible options. We apply the third option, which is our recommended approach, in this example as well.

ABC will continue to rely on the



original amortisation schedule for the gross carrying amount. Under this option, \$907 is credited to the investment in bond account. The

Table 3 Calculations for interest income, changes to loss allowance and amortised amount

Original amortisation schedule				Stage 3				
Year ending	(1) Coupon interest received (6% x nominal value of \$100,000)	(2) Interest income (5% x beginning balance of CA)	(3) Changes in gross CA	(4) Gross CA	(5) Loss allowance	(6) Amortised amount	(7) Interest income (5% x beginning balance of amortised amount)	(8) Changes in amortised amount
31/12/x3				\$101,859	35,200	66,659		
31/12/x4	\$6,000	\$5,093	(\$907)	100,952	36,960	63,992	\$3,333	(\$2,667)



PHOTO SHUTTERSTOCK

loss allowance is calculated as the balancing figure between the gross carrying amount and the amortised cost. Hence, a credit entry of \$1,760 is passed to fair value reserve – accumulated impairment. Note that (i) \$1,760 reflects the increase in loss allowance because of time value of money (that is, $\$1,760 = 5\% \times \$35,200$), and (ii) there is no further adjustment to the loss allowance account in 20x4 as the estimated lifetime probability of default and the expected cash shortfalls given default are assumed to remain unchanged.

ABC also continues to mark to

market the FVOCI investment from its carrying amount of \$59,093 to \$56,000 by debiting fair value reserve – fair value changes, and crediting investment in bond of \$3,093.

DERECOGNITION OF BOND

Assume that the bond is sold for \$56,000 on 1/1/20x5. ABC debits cash and credits investment in bond of \$56,000. For a debt instrument classified as an FVOCI investment, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment (FRS 109

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We recommend separate OCI accounts to keep track of fair value changes and of the loss allowance for a financial asset measured at FVOCI because entities are required to disclose the loss allowance in the notes to the financial statements (FRS 107 para 16A).

para 5.7.10). This reclassification is commonly referred to as “recycling”. Hence, ABC would debit fair value reserve – accumulated impairment of \$36,960, credit fair value reserve – fair value changes of \$44,952, and debit the net difference of \$7,992 to a profit or loss account.

CONCLUSION

In summary, there are three key takeaways from the discussion of this illustration. Firstly, similar to our illustration on the debt instrument measured at amortised cost in Part 1 of this article, it can be seen that ABC has recognised impairment losses for its investment in the FVOCI bond on a timelier basis under FRS 109 compared to FRS 39. Secondly, like the accounting for available-for-sale securities under FRS 39, debt securities classified as FVOCI under FRS 109 are also subject to the “recycling” of cumulative gains or losses in OCI to profit or loss upon derecognition. Thirdly, for impairment losses of FVOCI debt securities under FRS 109, we recommend separate OCI accounts for loss allowance (that is, fair value reserve – accumulated impairment) and fair value changes (that is, fair value reserve – fair value changes). This approach will help to facilitate the disclosure of the loss allowance balance in the notes to the accounts. ISCA

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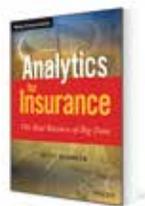
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3

Prizes Up for Grabs

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QUIZ

1 In "Stewardship and the Accounting Profession", stewardship is about building and growing sustainable businesses to produce long-term benefits for all stakeholders, and, in the process contributing to the community and economy as a whole.

A True
B False

2 In "Funding and Tax Concessions for Singapore Fintech Startups", fintech startups in need of early-stage funding can easily obtain it from conventional channels such as bank loans.

A True
B False

3 In "Helping Charities Do Good Better: Reserves & Investment Management in Charities", in Singapore, the Charity Council has issued a Code of Governance for Charities and Institutions of a Public Character which lists principles of good governance and best practices to guide Charities in managing their reserves.

A True
B False

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